



THIRD AVENUE VALUE FUND
THIRD AVENUE SMALL-CAP VALUE FUND
THIRD AVENUE REAL ESTATE VALUE FUND

ANNUAL REPORT

October 31, 1999



Third Avenue Value Fund

Dear Fellow Shareholders:

On November 26, 1999, Third Avenue Value Fund ("TAVF," "Third Avenue" or the "Fund") distributed to shareholders of record as of November 24, 42.4¢ per TAVF share, all of which distribution, whether received in cash or reinvested in TAVF Common Stock, represented long-term capital gains. We do not anticipate any further capital gains distributions for fiscal 1999; the Fund did not generate any investment income for tax purposes. Third Avenue management attempts to follow tax effective policies for Fund shareholders who pay United States income taxes. The Fund seems to have been quite tax effective in the fiscal year ended October 31, 1999.

At October 31, 1999, the audited net asset value, as adjusted for the 42.4¢ distribution made in November 1999, attributable to the 38,490,806 TAVF common shares was \$34.40 per share. This compares with an adjusted, unaudited net asset value of \$33.36 per share at July 31, 1999 and an adjusted, audited net asset value of \$29.34 per share at October 31, 1998. At December 13, 1999, the unaudited net asset value was \$33.71 per share.

The Fund's net asset value per share appreciated by 16.9% during the fiscal year, probably comparing favorably with most relevant benchmarks. TAVF's performance, though, lagged considerably behind the performance of those groups most popular in the general market; to wit, the common stocks of large well-known companies - the "Nifty Fifty," or as one of the TAVF directors pointed out, the "Nifty Ten" - and the common stocks of highly speculative issues in industries generally regarded as growth industries which raised funds in relatively recent Initial Public Offerings ("IPOs"); to wit, internet issuers and companies generally identified as internet related.

QUARTERLY ACTIVITY

The dominant activity during the last quarter continued to be the sales of portfolio securities to meet redemptions, and to realize capital losses in order to minimize income tax bills for Fund shareholders. The common capitalization of TAVF, as measured by shares outstanding, shrunk by 4.6% during the three-month interim.

The Fund acquired four new common stock positions during the quarter of which one, HomeFed Corporation, was a spin-off from Leucadia National Corporation. Five positions were increased and twelve positions were either eliminated or reduced. With the exception of Hologic, Inc. Common Stock and Sbarro, Inc. Common Stock, none of the other securities would have been sold were it not advisable to do so in order to raise cash to meet redemptions and to take tax losses. Hologic Common was sold because I suspect a permanent impairment of capital may be taking place. Sbarro went private; the Fund had an arbitrage position in Sbarro Common, which worked out quite well.



Principal Amount or Number of Shares	New Positions Acquired
100,000 shares	Covance Inc. Common Stock ("Covance Common")
473,489 shares	HomeFed Corp. Common Stock ("HomeFed Common")
55,000 shares	PAREXEL International Corp. Common Stock ("PAREXEL Common")
73,000 shares	Pharmaceutical Product Development, Inc. Common Stock ("PPD Common")
	Increases in Existing Positions
\$25,400,000	Hechinger Co. Senior Notes ("Hechinger Senior Notes")
\$5,015,000	Innovative Clinical Solutions, Ltd. 6.75% Subordinated Debentures due 6/15/03 ("ICSL Subordinates")
\$190,000	Insurance Partners II Equity Fund, LP ("Insurance Partners LP Interests")
70,000 shares	First American Financial Corp. Common Stock ("FAF Common")
100,000 shares	LaSalle Re Holdings, Ltd. Common Stock ("LaSalle Common")
	Reductions in Existing Positions
\$58,427,908	Montgomery Ward Unsecured Obligations ("Montgomery Ward Debt")
45,000 shares	Cummins Engine Co., Inc. Common Stock ("Cummins Common")
500,000 shares	FSI International, Inc. Common Stock ("FSI Common")
165,000 shares	Planar Systems, Inc. Common Stock ("Planar Common")
125,000 shares	Protocol Systems, Inc. Common Stock ("Protocol Common")
500,300 shares	Silicon Valley Group, Inc. Common Stock ("Silicon Valley Common")
	Positions Eliminated
773,000 shares	Hologic, Inc. Common Stock ("Hologic Common")



Principal Amount
or

Number of Shares
376,800 shares

Positions Eliminated (continued)

Leucadia National Corp. Common Stock
("Leucadia Common")

197,200 shares

Sbarro, Inc. Common Stock ("Sbarro Common")

1,425,100 shares

SpeedFam-IPEC, Inc. Common Stock ("SpeedFam Common")

612,000 shares

Texas Micro, Inc. Common Stock ("Texas Micro Common")

5,242,000 shares

The Nissan Fire and Marine Insurance Co., Ltd. Common Stock
("Nissan Common")

ICSL, a clinical research organization ("CRO") company specializing in site management, seems to be a reasonably promising venture capital-like situation which, more likely than not, will remain satisfactorily financed until the ICSL Subordinates mature in June 2003. ICSL, however, will have a much tougher time developing into a profitable business if it does not recapitalize by exchanging ICSL Subordinates for ICSL Common Stock. ICSL, however, probably cannot undertake any meaningful recapitalization without the cooperation of TAVF. TAVF owns about 50% of the ICSL Subordinates at a cost basis where the yield to maturity is around 30%. The Fund has had several conversations with ICSL management about recapitalization but nothing has developed. As part of its ICSL due diligence, TAVF management examined closely the large, publicly traded, CROs. These issuers are, by and large, very well financed, and growing extremely rapidly. The common stocks of these issuers are in the midst of an extreme bear market. The common stocks of leading companies are currently selling at prices close to tangible book value, and probably less than ten times earnings for the forthcoming twelve months. As a consequence, Third Avenue established toehold positions in Covance Common, PAREXEL Common and PPD Common, each a leading CRO company.

The Fund also took advantage of ultra-depressed market conditions to increase its positions in Hechinger Senior Notes, as well as FAF Common and LaSalle Common. It is hard to recall a time when common stock prices were as depressed as they are today for certain specialized property and casualty insurers such as FAF and LaSalle. TAVF's interest in Insurance Partners LP Interests was increased pursuant to a call by the General Partner.

DOW 36,000

During the quarter, a new book, Dow 36,000, gained considerable popularity and notoriety. The basic thesis expounded in the book seems to be genuinely stupid. However, the historic statistics contained in the book about buy-and-hold strategies seem quite informative and quite relevant to the Third Avenue investment style.

The gravamen of Dow 36,000 is that there ought not to be any risk premium built into prices for equities. The right price for common stocks ought to be at a level where the total return number approximates the total return number on performing loans which do not have credit risk. As the authors state, "Market analysts and media pundits have also



persistently warned that stocks are extremely risky. About this they are wrong, too. Over the long term, stocks in the aggregate are less risky than Treasury bonds or even bank certificates of deposit.”

The authors have no conception of what risk is, and what risk is not. As I've stated in previous letters, an intelligent investor cannot use the word risk without putting an adjective in front of it; e.g., market risk, investment risk, credit risk, inflation risk, currency risk, failure to match maturities risk, etc. All the authors can really say is that in a very special, and probably rare, case, the total return from common stock investing has exceeded the total return from investing in credit instruments without credit risk. This special case occurs where the investor, whether individual or institutional, has a long-term buy and hold mentality; has paid cash for the investment and has eschewed borrowing; has no plans whatsoever to sell, or otherwise liquidate individual securities at any future time; and has as a sole objective total return with no need or desire for periodic cash returns, from the receipt of dividends or interest.

The real world is quite different from the authors' special case: Common stocks obviously carry far more market risk and investment risk than bonds where they are in the capitalization of an individual issuer; common stocks suffer from juniority.

Common stocks obviously carry far more market risk than bonds insofar as the investor would be affected by near-term, intermediate-term and long-term fluctuations in security prices. Price movements for common stocks are far more volatile than price movements for performing loans. To use academic language, common stocks have a much higher BETA than performing loans.

Common stocks carry far more risks of periodic non-payment of cash than bonds insofar as the investor has as a goal, the realization, in whole or in part, of periodic cash income from an investment portfolio. Bond interest is a contractually guaranteed series of payments by an issuer to a holder. Common stock dividends are frequently a sometime thing.

Insofar as a portfolio is financed by borrowings, a bond portfolio has certain advantages over a common stock portfolio. First, because the stream of cash income is more assured, bondholders are in a better position to service the cost of borrowings than are common stockholders. Second, lenders are willing to lend more against the collateral of a bond portfolio than against the collateral of a common stock portfolio. One consequence of this superior borrowing ability is the Returns on Equity (“ROE”) to holders of bond portfolios can be, and often are, materially greater than the ROEs achievable by holders of common stock portfolios. Finally, prudence and regulation dictate that where obligations have to be met at certain times by cash payments — say for insurance companies, banks, certain pension plans, or individuals living off the income from investments — the portfolios had better be invested all, or mostly all, in credit obligations.

When securities get markedly overpriced compared with underlying business values, say Dow 36,000, there tends to be tremendous amounts of new capital raised. New capital invested in an industry almost always means that there will be a marked increase in investment risk due to the specter of increased competition and reduced ROEs for companies engaged in all sorts of operations. Put simply, at Dow 36,000, companies seem bound to become less profitable operations than if there had not been available new equity financing at super prices. The principal asset of a public com-



pany might well be an ability for a time to raise new capital on a basis that, for the company, is super-attractive. When and if the super attractive access to equity markets dries up for companies, it might be disastrous for common shareholders who bought into those equity markets at Dow 15,000, Dow 20,000, not to mention Dow 36,000.

Nonetheless, Dow 36,000 makes a pretty strong historical case for buy-and-hold investing in common stocks. In this sense, Dow 36,000 makes a good case for Index Funds and also for the TAVF style of buy-and-hold investing. From a long-term point of view, though, TAVF differs from Index Funds in two important respects:

- 1) The Fund tries to restrict common stock investing to companies of unquestioned staying power. The issuers are well financed and/or seem to have strong franchises.
- 2) The Fund tries to buy in at bargain prices, paying a substantial discount from what analysis shows the business would be worth were it a private company or a take-over candidate.

WALL STREET'S FLIGHT TO GARBAGE

I woke up a few weeks ago to a dramatic realization that watershed changes had taken place between 1993 and 1999 in the way most of Wall Street operates. I was having dinner with a friend who is a stock promoter-venture capitalist. He had consulted me in 1993 about taking public a start-up venture, marketing products which, among other things, involved cancer tests; the business had no operating profits and almost no revenues. In choosing a managing underwriter then to raise perhaps \$8 million, my friend asked me about choosing between DH Blair and Oscar Gruss, two so-called "shlock" underwriters. The start-up company had little hope of moving up the underwriting scale in 1993 to, say, Alex Brown or Hambrecht & Quist; the company was too speculative. My friend said at dinner "I'm currently involved with a promising venture, a company involved with fuel cells and the internet. What about a managing underwriter now?" I told him that today you take these start-ups to "bulge bracket" underwriters such as Goldman Sachs, Morgan Stanley or Merrill Lynch. Furthermore, the funds to be raised in the IPO amount to \$100 million or \$200 million, not \$8 million. Boy have times changed!

This flight to garbage, where Goldman Sachs has now usurped the role DH Blair used to play, seems to have many implications. It has become respectable today to market new issues of common stocks at fantastic prices where the companies have no prospects of generating profits from operations for the foreseeable future.

While I think the probabilities are overwhelming that holders of common stocks in these speculative issues are likely to lose all, or most, of the moneys they have invested (if for no other reason than most business plans have to fail because regardless of the amount of growth in internet demand, this growth in demand is being dwarfed by the growth in the supply of new competitors), the substitution of bulge bracket underwriters for shlock underwriters has fostered a number of changes:

- 1) These speculative issuers now get a degree of respectability throughout the country that they never had before.
- 2) These speculative issuers emerge from the underwriting process far sounder financially than was formerly the case. This is measured, in part, by the difference between raising \$8 million and raising \$100 million.



3) For most issuers to succeed, they are going to have to continue to raise new capital in future years. This capital raising merry-go-round is more likely to continue to exist where the investment banker is a bulge bracket underwriter than ever was the case with shlock underwriters.

Despite the super-performance of garbage issues in recent years, TAVF will continue to refuse to invest in such issues at the same prices that the public is paying. The Fund does invest in venture capital-like growth companies provided TAVF is able to get into real business situations at prices equal to no more than a first stage venture capitalist would pay. This is certainly what TAVF has tried to do in investing in semi-conductor equipment common stocks, which at October 31, 1999 accounted for 31% of the Fund's portfolio. This is what the Fund is doing now in establishing toe-hold positions in the common stocks of quality CRO companies. TAVF is not going to pay IPO prices for garbage; Third Avenue certainly has no interest in paying after market (i.e., after the IPO) prices either. The elementary truth about TAVF, though, is that performance records notwithstanding, the guts of the Fund's investment style will continue to be to buy and hold the securities of well-financed, responsibly managed issuers.

I will write you again when the report for the period to end January 31, 2000 is published. Best wishes for a Happy and Prosperous New Year.

Sincerely yours,

Martin J. Whitman
Chairman of the Board



**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments
at October 31, 1999**

	Principal Amount (\$)	Issues	Value (Note 1)	% of Net Assets
Bank and Other Debt - 0.10%				
Oil Services	1,200,634	Cimarron Petroleum Corp. (c) (d)	\$ 1,219,860	0.09%
Retail	284,760	Lechmere, Inc. Trade Claim (a) (c)	47,839	
	150,959	Montgomery Ward Trade Claim (a) (c)	41,212	
			<u>89,051</u>	0.01%
		Total Bank and Other Debt (Cost \$1,281,174)	<u>1,308,911</u>	
Convertible Bonds - 1.83%				
Pharmaceutical Services	49,155,000	Innovative Clinical Solutions, Ltd. 6.75%, due 6/15/03	<u>24,577,500</u>	1.83%
		Total Convertible Bonds (Cost \$23,375,951)	<u>24,577,500</u>	
Corporate Bonds - 0.83%				
Bermuda Based Financial Institutions	7,500,000	CGA Special Account Trust (b) (c)	<u>7,500,000</u>	0.56%
Industrial	8,500,000	Hechinger Co. 9.45%, due 11/15/12 *	935,000	
	24,900,000	Hechinger Co. 6.95%, due 10/15/03 *	<u>2,739,000</u>	
			<u>3,674,000</u>	0.27%
		Total Corporate Bonds (Cost \$11,089,035)	<u>11,174,000</u>	
Shares				
Common Stocks and Warrants - 91.44%				
Annuities & Mutual Fund Management & Sales	163,300	John Nuveen & Co., Inc. Class A	5,837,975	
	518,600	Liberty Financial Companies, Inc.	<u>12,478,812</u>	
			<u>18,316,787</u>	1.37%
Apparel Manufacturers	150,000	Kleinerts, Inc. (a) (c)	<u>1,800,000</u>	0.13%
Bermuda Based Financial Institutions	3,341,703	CGA Group, Ltd. (a) (b) (c)	0	
	91,999	Cobalt Holdings, LLC (c)	920	
	118,449	ESG Re, Ltd. (a) (c)	917,980	
	210,917	LaSalle Re Holdings, Ltd.	2,728,739	
	1,064,516	St. George Holdings, Ltd. Class A (a) (b) (c)	106,451	

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks and Warrants (continued)				
Bermuda Based Financial Institutions (continued)	9,044	St. George Holdings, Ltd. Class B (a) (b) (c)	\$ 905	
			<u>3,754,995</u>	0.28%
Building Products & Related	123,900	Cummins Engine Co., Inc.	6,280,181	
	125,400	Tecumseh Products Co. Class A (b)	6,011,362	
	417,300	Tecumseh Products Co. Class B (b)	<u>18,361,200</u>	
			<u>30,652,743</u>	2.29%
Business Development Companies	72,445	Capital Southwest Corp.	<u>4,826,648</u>	0.36%
Computerized Trading	223,600	Investment Technology Group, Inc.	<u>5,897,450</u>	0.44%
Computers, Networks & Software	100,000	3Com Corp. (a)	<u>2,900,000</u>	0.22%
Depository Institutions	53,000	Astoria Financial Corp.	1,908,000	
	218,500	Carver Bancorp, Inc. (b)	1,556,813	
	39,500	CNY Financial Corp.	612,250	
	61,543	Commercial Federal Corp.	1,207,781	
	197,307	Golden State Bancorp., Inc. (a)	4,118,784	
	53,480	Golden State Bancorp., Inc. Warrants, 9/17/00 (a)	558,197	
	197,307	Golden State Bancorp, Inc. Litigation Tracking Warrants (a)	197,307	
	60,000	Letchworth Independent Bancshares Corp.	1,177,500	
	69,566	Peoples Heritage Financial Group, Inc.	<u>1,321,754</u>	
			<u>12,658,386</u>	0.94%
Financial Insurance	200,000	Ambac Financial Group, Inc.	11,950,000	
	133,900	Capital Re Corp.	1,891,338	
	608,500	Enhance Financial Services Group, Inc.	11,105,125	
	1,000,000	Financial Security Assurance Holdings, Ltd.	56,375,000	
	394,673	MBIA Inc.	<u>22,521,028</u>	
			<u>103,842,491</u>	7.75%
Food Manufacturers & Purveyors	328,000	J & J Snack Foods Corp. (a)	6,314,000	
	109,100	Weis Markets, Inc.	<u>3,620,756</u>	
			<u>9,934,756</u>	0.74%

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Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks and Warrants (continued)				
Industrial Equipment	215,100	Alamo Group, Inc.	\$ 1,774,575	0.13%
Industrial - Japan	2,200,000	Toyoda Automatic Loom Works, Ltd.	42,831,112	3.20%
Insurance Holding Companies	200,678	ACMAT Corp. Class A (a) (b)	1,856,272	
	803,669	Danielson Holding Corp. (a) (b) (c)	4,520,638	
	432,300	Risk Capital Holdings, Inc. (a)	5,646,919	
	5,490	Sen-Tech International Holdings, Inc. (a) (c)	3,294,000	
	50,000	White Mountains Insurance Group Inc.	6,325,000	
			<u>21,642,829</u>	1.61%
Manufactured Housing	89,000	Liberty Homes, Inc. Class A	611,875	
	40,000	Liberty Homes, Inc. Class B	315,000	
			<u>926,875</u>	0.07%
Medical Supplies & Services	145,500	Analogic Corp.	3,819,375	
	342,300	Datascope Corp. (a)	12,322,800	
	554,950	Prime Medical Services, Inc. (a)	5,480,131	
	788,900	Protocol Systems, Inc. (a) (b)	5,620,913	
	90,750	St. Jude Medical, Inc. (a)	2,484,281	
			<u>29,727,500</u>	2.22%
Natural Resources & Real Estate	1,160,000	Alexander & Baldwin, Inc.	27,840,000	
	179,600	Catellus Development Corp. (a)	2,110,300	
	31,000	Consolidated-Tomoka Land Co.	383,625	
	550,000	Forest City Enterprises, Inc. Class A	13,750,000	
	7,500	Forest City Enterprises, Inc. Class B	206,250	
	473,489	HomeFed Corp. (a)	414,303	
	955,000	Imperial Credit Commercial Mortgage Investment Corp.	10,385,625	
	1,180,336	Koger Equity, Inc.	18,295,208	
	14,600	LNR Property Corp.	282,875	
	846	Public Storage, Inc.	20,410	
	238,200	St. Joe Co.	5,687,025	
3,045,508	Tejon Ranch Co. (b) (c)	81,848,027		
			<u>161,223,648</u>	12.03%

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**Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999**

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks and Warrants (continued)				
Non-Life Insurance-Japan	7,319,000	Mitsui Marine & Fire Insurance Co., Ltd.	\$ 48,503,203	
	6,056,000	The Chiyoda Fire & Marine Insurance Co., Ltd.	22,941,594	
	3,246,000	The Sumitomo Marine & Fire Insurance Co., Ltd. (a)	25,060,228	
	1,020,800	The Tokio Marine & Fire Insurance Co., Ltd., Sponsored ADR	66,352,000	
	3,000,000	The Yasuda Fire & Marine Insurance Co., Ltd.	20,312,650	
			<u>183,169,675</u>	13.67%
Oil Services	500,000	Nabors Industries, Inc. (a)	11,343,750	0.85%
Paper & Related Products	126,605,679	Repap Enterprises Inc. (a) (b)	7,089,918	0.53%
Pharmaceutical Services	100,000	Covance Inc. (a)	968,750	
	55,000	PAREXEL International Corp. (a)	525,938	
	73,000	Pharmaceutical Product Development, Inc. (a)	734,563	
			<u>2,229,251</u>	0.17%
Security Brokers, Dealers & Flotation Companies	223,600	Jefferies Group, Inc.	4,765,475	
	893,332	Legg Mason, Inc.	32,494,951	
	1,086,250	Raymond James Financial, Inc.	21,996,562	
			<u>59,256,988</u>	4.42%
Semiconductor Equipment Manufacturers and Related	400,000	Applied Materials, Inc. (a)	35,925,000	
	1,748,000	AVX Corp.	69,920,000	
	1,004,500	C.P. Clare Corp. (a) (b)	5,336,406	
	1,600,300	Electro Scientific Industries, Inc. (a) (b)	86,416,200	
	1,882,500	Electrogas, Inc. (a) (b)	51,945,234	
	2,320,900	FSI International, Inc. (a) (b)	18,567,200	
	631,700	GaSonics International Corp. (a)	10,580,975	
	369,200	KLA-Tencor Corp. (a)	29,236,025	
	376,400	Lam Research Corp. (a)	31,782,275	
	300,000	Photronics, Inc. (a)	6,281,250	
	3,734,500	Silicon Valley Group, Inc. (a) (b)	46,681,250	
663,200	Veeco Instruments, Inc. (a)	22,507,350		
			<u>415,179,165</u>	30.98%

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Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks and Warrants (continued)				
Small-Cap Technology	108,750	AFC Cable Systems, Inc. (a)	\$ 4,091,719	
	230,000	Evans & Sutherland Computer Corp. (a)	2,745,625	
	424,000	Hypercom Corp. (a)	3,392,000	
	154,800	Integrated Systems, Inc. (a)	2,602,575	
	247,200	Planar Systems, Inc. (a)	1,313,250	
	306,900	Vertex Communications Corp. (a) (b)	4,776,131	
			<u>18,921,300</u>	1.41%
Title Insurance	3,145,000	First American Financial Corp.	46,585,313	
	1,951,400	Stewart Information Services Corp. (b)	29,027,075	
			<u>75,612,388</u>	5.64%
Total Common Stocks and Warrants (Cost \$793,468,709)			<u>1,225,513,230</u>	
Preferred Stock - 1.65%				
Bermuda Based Financial Institutions	601,554	CGA Group, Ltd., Series A (b) (c)	15,038,851	
	6,045,667	CGA Group, Ltd., Series C (b) (c)	7,039,176	
			<u>22,078,027</u>	1.65%
Insurance Companies	4,775	Ecclesiastical Insurance, 8.625%	9,377	0.00%
		Total Preferred Stock (Cost \$19,864,204)	<u>22,087,404</u>	
	Shares or Investment Amount			
Limited Partnerships - 1.52%				
Bermuda Based Financial Institutions	\$2,215,000	ESG Partners, LP (c)	871,735	0.07%
			<u>871,735</u>	
Financial Insurance	\$15,000,000	American Capital Access Holdings, LLC (c)	15,000,000	
	\$760,000	Insurance Partners II Equity Fund, LP (c)	760,000	
			<u>15,760,000</u>	1.18%
Insurance Holding Companies	\$3,667,341	Head Insurance Investors LP (c)	3,667,341	
	100	HIPI Holdings, Inc. (c)	0	
			<u>3,667,341</u>	0.27%

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Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999

Shares	Issues	Value (Note 1)	% of Net Assets
Limited Partnerships (continued)			
	Total Limited Partnerships (Cost \$22,965,789)	<u>\$ 20,299,076</u>	
	Notional Principal		
Other Investments - (0.01%)			
Foreign Currency Swap Contracts	\$90,000,000	Bear Stearns Currency Swap, Termination Date 4/22/00 (c) (e)	(546,632)
	\$50,000,000	Bear Stearns Currency Swap, Termination Date 10/27/00 (c) (f)	393,237
			<u>(153,395)</u>
Foreign Option Contracts	\$15,000,000	Japanese Yen January 2000 Put Options (c) (g)	4,313
		Total Other Investments (Cost \$399,000)	<u>(149,082)</u>
	Principal Amount		
Short Term Investments - 2.51%			
Repurchase Agreements	\$32,503,407	Bear Stearns 5.23% due date November 1, 1999 (h)	32,503,407
U.S. Treasury Bills	\$1,193,000	U.S. Treasury Bill 4.39%, 11/12/99 (i)	1,191,438
		Total Short Term Investments (Cost \$33,694,845)	<u>33,694,845</u>
		Total Investment Portfolio - 99.87% (Cost \$906,138,707)	<u>1,338,505,884</u>
		Other Assets	
		Less Liabilities - 0.13%	<u>1,765,989</u>
		NET ASSETS - 100.00% (Applicable to 38,490,806 shares outstanding)	<u><u>\$1,340,271,873</u></u>

Notes:

- (a) Non-income producing securities.
- (b) Affiliated issuers-as defined under the Investment Company Act of 1940.
- (c) Restricted/fair valued securities.
- (d) Interest accrued at a current rate of prime + 2%.
- (e) The Fund is selling 9.5 billion Yen and paying an interest rate of 0.22% in exchange for 90 million U.S. Dollars and an interest rate of 5.18%.
- (f) The Fund is selling 5.2 billion Yen and paying an interest rate of 0.22% in exchange for 50 million U.S. Dollars and an interest rate of 6.29%.
- (g) 15 million U.S. Dollar notional amount may be exercised on January 10, 2000 to sell 1.9 billion Japanese Yen at a strike price of 125.00.

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Third Avenue Trust
Third Avenue Value Fund
Portfolio of Investments (continued)
at October 31, 1999

(h) Repurchase agreement collateralized by:

U.S. Treasury Strips, par value \$18,240,000, 6.19%, matures 08/15/05: market value \$12,796,454

U.S. Treasury Strips, par value \$14,000,000, 6.35%, matures 11/15/08: market value \$7,914,340.

U.S. Treasury Strips, par value \$29,450,000, 6.47%, matures 02/15/22: market value \$6,957,562.

U.S. Treasury Strips, par value \$29,655,000, 6.29%, matures 11/15/26: market value \$5,486,175.

(i) Security segregated for future Fund commitments.

* Issuer in default.

ADR: American Depository Receipt.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Value Fund
Statement of Assets and Liabilities
October 31, 1999

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (identified cost of \$590,274,522)	\$ 939,205,862
Affiliated issuers (identified cost of \$315,864,185)	<u>399,300,022</u>
Total investments (identified cost of \$906,138,707)	1,338,505,884
Receivable for securities sold	1,099,893
Receivable for fund shares sold	2,224,258
Dividends and interest receivable	5,388,370
Other assets	<u>48,795</u>
Total assets	<u>1,347,267,200</u>

Liabilities:

Payable for securities purchased	706,836
Payable for fund shares redeemed	4,872,684
Payable to investment adviser	977,984
Accounts payable and accrued expenses	372,868
Payable for service fees (Note 3)	64,955
Commitments (Note 6)	<u>—</u>
Total liabilities	<u>6,995,327</u>
Net assets	<u>\$1,340,271,873</u>

Summary of net assets:

Common stock, unlimited shares authorized, no par value, 38,490,806 shares outstanding	\$ 878,105,923
Accumulated undistributed net investment income	308,571
Accumulated undistributed net realized gains from investment transactions	29,490,388
Net unrealized appreciation of investments and translation of foreign currency denominated assets and liabilities	<u>432,366,991</u>
Net assets applicable to capital shares outstanding	<u>\$1,340,271,873</u>
Net asset value, offering and redemption price per share	<u>\$34.82</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Statement of Operations
For the Year Ended October 31, 1999**

Investment Income:	
Interest-unaffiliated issuers	\$ 10,153,104
Interest-affiliated issuers	356,199
Dividends-unaffiliated issuers (net of foreign withholding tax of \$270,582)	18,274,460
Dividends-affiliated issuers	4,850,956
Other income	107,655
Total Investment Income	<u>33,742,374</u>
Expenses:	
Investment advisory fees (Note 3)	12,805,667
Transfer agent fees	882,804
Service fees (Note 3)	713,283
Reports to shareholders	317,137
Administration fees (Note 3)	245,965
Custodian fees	126,607
Accounting services	117,044
Miscellaneous expenses	93,126
Insurance expenses	81,872
Auditing and tax consulting fees	65,757
Directors' fees and expenses	61,478
Legal fees	59,129
Registration fees	51,843
Total operating expenses	<u>15,621,712</u>
Net investment income	<u>18,120,662</u>
Realized and unrealized gains (losses) on investments:	
Net realized gains on investments-unaffiliated issuers	73,612,251
Net realized losses on investments-affiliated issuers	(25,736,873)
Net realized losses on foreign currency transactions	(21,743,326)
Net change in unrealized appreciation on investments	174,211,595
Net change in unrealized depreciation on foreign currency swaps and option contracts	(204,327)
Net change in unrealized depreciation on translation of other assets and liabilities denominated in foreign currency	<u>(19,024)</u>
Net realized and unrealized gains on investments	<u>200,120,296</u>
Net increase in net assets resulting from operations	<u><u>\$218,240,958</u></u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Value Fund
Statement of Changes in Net Assets

	<u>For the Year Ended 10/31/99</u>	<u>For the Year Ended 10/31/98</u>
Operations:		
Net investment income	\$ 18,120,662	\$ 25,313,637
Net realized gains (losses) on investments-unaffiliated issuers	73,612,251	(38,668,472)
Net realized gains (losses) on investments-affiliated issuers	(25,736,873)	20,587,312
Net realized gains (losses) on foreign currency transactions	(21,743,326)	2,393,487
Net change in unrealized appreciation (depreciation) on investments	174,211,595	(81,803,887)
Net change in unrealized depreciation on foreign currency swaps and option contracts	(204,327)	(343,755)
Net change in unrealized depreciation on translation of other assets and liabilities denominated in foreign currency	<u>(19,024)</u>	<u>(2,686,163)</u>
Net increase (decrease) in net assets resulting from operations	<u>218,240,958</u>	<u>(75,207,841)</u>
Distributions:		
Dividends to shareholders from net investment income	(19,923,268)	(21,900,312)
Distributions to shareholders from net realized gains on investments	<u>—</u>	<u>(8,575,897)</u>
	<u>(19,923,268)</u>	<u>(30,476,209)</u>
Capital Share Transactions:		
Proceeds from sale of shares	237,803,848	626,685,681
Net asset value of shares issued in reinvestment of dividends and distributions	18,679,630	27,594,318
Cost of shares redeemed	<u>(655,240,361)</u>	<u>(654,125,198)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(398,756,883)</u>	<u>154,801</u>
Net decrease in net assets	(200,439,193)	(105,529,249)
Net assets at beginning of period	<u>1,540,711,066</u>	<u>1,646,240,315</u>
Net assets at end of period (including undistributed net investment income of \$308,571 and \$17,623,734, respectively)	<u>\$1,340,271,873</u>	<u>\$1,540,711,066</u>

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each period) and ratios are as follows:

	Years Ended October 31,				
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Net Asset Value, Beginning of Period	\$30.16	\$31.94	\$24.26	\$21.53	\$18.01
Income (loss) from Investment Operations:					
Net investment income	.47	.48	.48	.53	.38
Net gain (loss) on securities (both realized and unrealized)	4.59	(1.69)	7.92	2.76	3.53
Total from Investment Operations	<u>5.06</u>	<u>(1.21)</u>	<u>8.40</u>	<u>3.29</u>	<u>3.91</u>
Less Distributions:					
Dividends from net investment income	(.40)	(.41)	(.57)	(.41)	(.25)
Distributions from realized gains	—	(.16)	(.15)	(.15)	(.14)
Total Distributions	<u>(.40)</u>	<u>(.57)</u>	<u>(.72)</u>	<u>(.56)</u>	<u>(.39)</u>
Net Asset Value, End of Period	<u>\$34.82</u>	<u>\$30.16</u>	<u>\$31.94</u>	<u>\$24.26</u>	<u>\$21.53</u>
Total Return	16.89%	(3.86%)	35.31%	15.55%	22.31%
Ratios/Supplemental Data:					
Net Assets, End of period (in thousands)	\$1,340,272	\$1,540,711	\$1,646,240	\$566,847	\$312,722
Ratio of Expenses to Average Net Assets	1.10%	1.08%	1.13%	1.21%	1.25%
Ratio of Net Income to Average Net Assets	1.27%	1.44%	2.10%	2.67%	2.24%
Portfolio Turnover Rate	5%	24%	10%	14%	15%

The accompanying notes are an integral part of the financial statements.



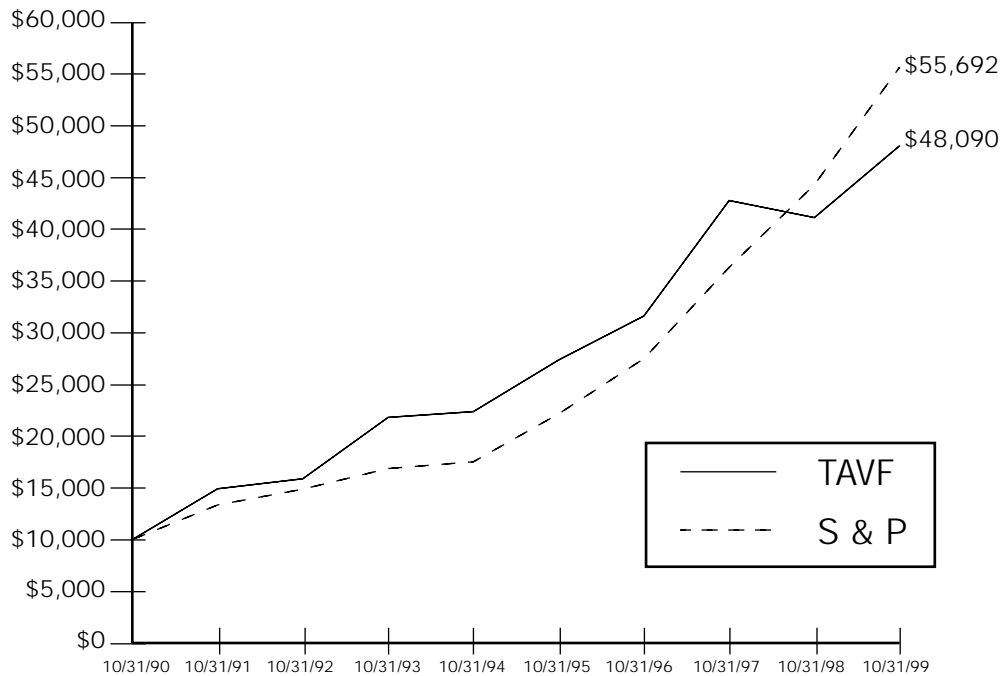
Performance Information
(Unaudited)

Performance Illustrations

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN *THIRD AVENUE VALUE FUND*
AND THE STANDARD & POOR'S 500 INDEX (S&P 500)

Average Annual Total Return

1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year
16.89%	6.01%	14.99%	15.12%	16.52%	14.07%	17.14%	15.75%	19.06%



As with all mutual funds, past performance does not indicate future results.



Third Avenue Small-Cap Value Fund

Dear Fellow Shareholders:

At October 31, 1999, the end of our fiscal year, the audited net asset value attributable to the 10,761,465 common shares outstanding of Third Avenue Small-Cap Value Fund ("Small-Cap Value" or the "Fund") was \$11.33 per share, compared with the Fund's unaudited net asset value of \$11.64 per share at July 31, 1999. At December 13, 1999, the unaudited net asset value was \$12.21.

QUARTERLY ACTIVITY

During the quarter, Small-Cap Value established no new positions, added to six of its 36 existing positions, and reduced or eliminated its holdings in seven companies. At October 31, 1999, Small-Cap Value held positions in 34 companies, the top 10 positions of which accounted for approximately 45% of the Fund's net assets.

During the past year, the Fund's shares outstanding - one of management's measures of fund growth - shrunk by 18%. Most of the shrinkage occurred during the October quarter. With one exception, the sales of portfolio positions during the quarter stemmed from the Fund's desire to maintain reasonable cash levels in the face of modest redemptions, and to minimize adverse tax consequences for Fund shareholders.

Number of Shares	Increases in Existing Positions
4,400	Alamo Group, Inc. Common Stock ("Alamo Common")
20,800	ACT Networks, Inc. Common Stock ("ACT Common")
10,900	Evans & Sutherland Computer Corp. Common Stock ("E&S Common")
28,300	First American Financial Corp. Common Stock ("First American Common")
19,500	LaSalle Re Holdings, Ltd. Common Stock ("LaSalle Common")
5,498	MBIA Inc. Common Stock ("MBIA Common")
	Decreases in Existing Positions
78,500	Avatar Holdings, Inc. Common Stock ("Avatar Common")
65,200	Silicon Valley Group, Inc. Common Stock ("SVG Common")
110,200	SpeedFam-IPEC, Inc. Common Stock ("SpeedFam Common")
	Positions Eliminated
135,800	Capital Re Corp. Common Stock ("Capital Re Common")
68,000	Hologic, Inc. Common Stock ("Hologic Common")



Number of Shares

Positions Eliminated (continued)

101,500

Rofin-Sinar Technologies, Inc. Common Stock ("Rofin-Sinar Common")

108,400

Xircom, Inc. Common Stock ("Xircom Common")

Our semi-annual report of April, 1999, the date that coincided with the Fund's second anniversary, addressed some of the issues contributing to the Fund's lagging performance. In this letter, I try to expand a bit on April's report, offering a few examples of why we continue to like those holdings that have probably contributed the most to that performance.

Small-Cap Value Fund owns large positions in real estate and insurance company common stocks - in aggregate, about 46% of Fund assets - both of which came under increasingly negative pressure during much of 1999, and which remain rather unpopular today. One of those insurance company common stocks, MBIA Common, is one of the Fund's largest holdings, and is down nearly 30% from its May 1999 high. Perceptions (or misperceptions) about higher interest rates, a slowdown in municipal and asset-backed securities issuance in the latter half of this year, and abnormal reserving activity evidently convinced many short-term oriented investors that the business was permanently damaged. At current levels, I think MBIA Common sells near those depressed levels recorded during the Orange County Bankruptcy in 1994 and Philadelphia's financing crisis in 1990.

MBIA is the largest company within the financial guarantee industry, a business characterized by high barriers to entry, reasonably high quality and predictable earnings, attractive returns on equity and solid growth prospects. As importantly, the industry is populated by conservative management teams and rational competitors. It's a company that has compounded shareholder value - as measured by adjusted book value, a decent proxy for economic value - by 14% to 15% annually for the last 10 years. We continue to believe that MBIA's "problems" are ephemeral in nature and do not represent any form of permanent setback. We bought what we could during the year's downdrafts and view the current pessimism as a good opportunity to add to our holdings.

Most of our real estate holdings continue to build business value, reflecting positive occupancy and lease trends and exciting pipeline activity. The stock prices of our holdings, however, make it clear that the investing public at large couldn't care less about owning real estate securities.

With a few bright exceptions, the Fund's significant positions in small technology companies also lagged. In certain cases, these companies remain in transition stages that have taken longer than anticipated to realize. Some of these issues appear to be strengthening as I write this letter.

Finally, Small-Cap Value's largest position by cost, Nissan Fire and Marine Common Stock, has similarly weighed negatively on the Fund's performance. This position alone accounts for an unrealized loss of approximately \$0.25 to \$0.30 per Fund share, not at all immaterial in the scheme of things. Nevertheless, we can remain optimistic holding one of the best reserved and cheapest of the Japanese P&C companies. Nissan has recently begun buying back modest amounts of its common stock, an almost unheard of activity for the Japanese as recently as one year ago. It is also worth noting that the Japanese insurance industry has recently experienced a strengthening consolidation theme. Axa and Aetna, eager to further penetrate the second largest insurance market in the world, both recently announced deals in



Japan, while some of Nissan's competitors announced a three-way partnership. Is Nissan neglected, misunderstood or ignored? Perhaps. In trouble? Hardly. Are these developments positive from a shareholder perspective? Absolutely.

We remain confident in our existing portfolio holdings and are adding to those positions as cash flows allow. We have let go of holdings with deteriorating business fundamentals, and continue to hold the bar high with respect to any new portfolio additions. Looking forward, Small-Cap Value retains two important positive characteristics: 1) a low price-to-value ratio, as measured by the market value of the Fund's holdings relative to company business values; and 2) an attractive tax attribute in the form of an unrealized loss, available to improve future after-tax returns.

I look forward to writing you again when we publish our First Quarter Report dated January 31, 2000. All the best for the Holidays and the New Year.

Sincerely,

Curtis R. Jensen
Co-manager, Third Avenue Small-Cap Value Fund



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks - 95.06%				
Bermuda Based Financial Institutions	119,000	LaSalle Re Holdings, Ltd.	\$ 1,539,563	1.26%
Construction-Japan	431,900	Sawako Corp., Sponsored ADR	2,267,475	1.86%
Financial Insurance	60,300	Financial Security Assurance Holdings Ltd.	3,399,413	
	118,822	MBIA Inc.	6,780,280	
			<u>10,179,693</u>	8.35%
Industrial Equipment	291,000	Alamo Group, Inc.	2,400,750	
	161,600	Gleason Corp. (b)	2,807,800	
			<u>5,208,550</u>	4.27%
Life Insurance	179,000	FBL Financial Group, Inc. Class A	3,277,938	2.69%
Manufactured Housing	184,300	Skyline Corp.	4,584,463	3.76%
Media	139,700	ValueVision International, Inc. Class A (a)	4,566,444	3.75%
Medical Supplies & Services	278,000	Protocol Systems, Inc. (a)	1,980,750	1.62%
Natural Resources & Real Estate	187,500	Alexander & Baldwin, Inc.	4,500,000	
	241,400	Alico, Inc.	3,711,525	
	160,000	Avatar Holdings, Inc. (a) (b)	3,000,000	
	126,900	Cabot Industrial Trust	2,538,000	
	234,300	Deltic Timber Corp. (b)	5,257,106	
	206,000	Koger Equity, Inc.	3,193,000	
	200,000	Tejon Ranch Co. (d)	5,375,000	
	1,104,700	The TimberWest Forest Corp. (Canada)	7,432,232	
			<u>35,006,863</u>	28.72%
Non-Life Insurance-Japan	2,425,000	The Nissan Fire & Marine Insurance Co., Ltd.	8,372,494	6.87%
Paper & Related Products	13,000,000	Repap Enterprises Inc. (a)	728,000	0.60%

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks (continued)				
Retail	426,100	HomeBase, Inc. (a) (b)	\$ 1,624,506	
	261,700	Value City Department Stores, Inc. (a)	<u>4,023,637</u>	
			5,648,143	4.63%
Semiconductor	520,000	C.P. Clare Corp. (a) (c)	2,762,500	
Equipment Manufacturers and Related	154,500	Electroglas, Inc. (a)	4,263,234	
	417,400	FSI International, Inc. (a)	3,339,200	
	99,000	Silicon Valley Group, Inc. (a)	1,237,500	
	199,000	SpeedFam-IPEC, Inc. (a)	<u>2,201,438</u>	
			13,803,872	11.32%
Technology	295,800	ACT Networks, Inc. (a)	1,922,700	
	25,000	Bel Fuse, Inc. Class A (a)	995,313	
	40,700	Bel Fuse, Inc. Class B (a)	1,409,237	
	326,900	Centigram Communications Corp. (a) (c)	3,105,550	
	198,300	Evans & Sutherland Computer Corp. (a)	2,367,206	
	370,300	Planar Systems, Inc. (a)	1,967,219	
	490,600	SpecIran Corp. (a) (c)	<u>4,354,075</u>	
			16,121,300	13.23%
Title Insurance	174,800	First American Financial Corp.	<u>2,589,225</u>	2.13%
		Total Common Stocks (Cost \$127,446,482)	<u>115,874,773</u>	
	Notional Principal			
Other Investments - 0.00%				
Foreign Option Contracts	\$6,500,000	Japanese Yen February 2000 Put Options (d) (e)	<u>1,950</u>	0.00%
		Total Other Investments (Cost \$217,750)	<u>1,950</u>	

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Portfolio of Investments (continued)
at October 31, 1999

	Principal Amount	Issues	Value (Note 1)	% of Net Assets
Short Term Investments - 2.88%				
Repurchase Agreements	\$3,504,588	Bear Stearns 5.23%, due date November 1, 1999 (f)	<u>3,504,588</u>	2.88%
		Total Short Term Investments (Cost \$3,504,588)	<u>3,504,588</u>	
		Total Investment Portfolio - 97.94% (Cost \$131,168,820)	<u>119,381,311</u>	
		Other Assets		
		Less Liabilities - 2.06%	<u>2,513,700</u>	
		NET ASSETS - 100.00% (Applicable to 10,761,465 shares outstanding)	<u><u>\$121,895,011</u></u>	

Notes:

- (a) Non-income producing securities.
 - (b) Securities in whole or in part on loan.
 - (c) Affiliated issuers-as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of these issuers).
 - (d) Restricted/fair valued securities.
 - (e) 6.5 million U.S. Dollar notional amount may be exercised on February 23, 2000 to sell 854.8 million Japanese Yen at a strike price of 131.50.
 - (f) Repurchase agreement collateralized by:
U.S. Treasury Strips, par value \$19,325,000, 6.29%, matures 11/15/26 : market value \$3,575,125.
- ADR: American Depository Receipt.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Assets and Liabilities
October 31, 1999

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (identified cost of \$115,204,792)	\$ 109,159,186
Affiliated issuers (identified cost of \$15,964,028)	<u>10,222,125</u>
Total investments (identified cost of \$131,168,820)	119,381,311
Receivable for securities sold	1,372,048
Receivable for fund shares sold	1,253,805
Dividends and interest receivable	387,847
Collateral on loaned securities (Note 1)	4,003,400
Deferred organizational costs (Note 1)	26,230
Other assets	<u>4,380</u>
Total assets	<u>126,429,021</u>

Liabilities:

Payable for fund shares redeemed	345,738
Payable to investment adviser	90,914
Accounts payable and accrued expenses	86,578
Payable for service fees (Note 3)	7,380
Collateral on loaned securities (Note 1)	<u>4,003,400</u>
Total liabilities	<u>4,534,010</u>
Net assets	<u>\$ 121,895,011</u>

Summary of net assets:

Common stock, unlimited shares authorized, no par value, 10,761,465 shares outstanding	\$133,093,708
Accumulated undistributed net investment income	748,060
Accumulated undistributed net realized losses from investment transactions	(158,404)
Net unrealized depreciation of investments and translation of foreign currency denominated assets and liabilities	<u>(11,788,353)</u>
Net assets applicable to capital shares outstanding	<u>\$ 121,895,011</u>
Net asset value, offering and redemption price per share	<u>\$11.33</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Operations
For the Year Ended October 31, 1999

Investment Income:

Interest	\$ 635,678
Dividends (net of foreign withholding tax of \$145,812)	2,135,164
Other Income	1,726
Total investment income	<u>2,772,568</u>

Expenses:

Investment advisory fees (Note 3)	1,247,500
Transfer agent fees	112,456
Service fees (Note 3)	72,420
Administration fees (Note 3)	62,018
Directors' fees and expenses	52,973
Accounting services	46,924
Reports to shareholders	43,253
Auditing and tax consulting fees	36,707
Custodian fees	27,581
Registration fees	24,012
Legal fees	15,320
Amortization of organizational expenses (Note 1)	10,877
Miscellaneous expenses	10,299
Insurance expenses	7,291
Total operating expenses	<u>1,769,631</u>
Net investment income	<u>1,002,937</u>

Realized and unrealized gains (losses) on investments:

Net realized gains on investments - unaffiliated issuers	841,964
Net realized losses on foreign currency transactions	(151,197)
Net change in unrealized appreciation on investments	7,651,526
Net change in unrealized depreciation on foreign currency option contracts	(289,800)
Net change in unrealized appreciation on translation of other assets and liabilities denominated in foreign currency	2,959
Net realized and unrealized gains on investments	<u>8,055,452</u>

Net increase in net assets resulting from operations \$9,058,389

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Statement of Changes in Net Assets

	<u>For the Year Ended 10/31/99</u>	<u>For the Year Ended 10/31/98</u>
Operations:		
Net investment income	\$ 1,002,937	\$ 996,458
Net realized gains (losses) on investments	841,964	(642,191)
Net realized losses on foreign currency transactions	(151,197)	(5,424)
Net change in unrealized appreciation (depreciation) on investments	7,651,526	(22,461,400)
Net change in unrealized depreciation on foreign currency option contracts	(289,800)	—
Net change in unrealized appreciation on translation of other assets and liabilities denominated in foreign currency	<u>2,959</u>	<u>70,197</u>
Net increase (decrease) in net assets resulting from operations	<u>9,058,389</u>	<u>(22,042,360)</u>
Distributions:		
Dividends to shareholders from net investment income	<u>(1,130,515)</u>	<u>(565,144)</u>
Capital Share Transactions:		
Proceeds from sale of shares	54,380,491	130,078,067
Net asset value of shares issued in reinvestment of dividends and distributions	1,086,390	547,053
Cost of shares redeemed	<u>(81,056,965)</u>	<u>(75,716,241)</u>
Net increase (decrease) in net assets resulting from capital share transactions	<u>(25,590,084)</u>	<u>54,908,879</u>
Net increase (decrease) in net assets	(17,662,210)	32,301,375
Net assets at beginning of period	<u>139,557,221</u>	<u>107,255,846</u>
Net assets at end of period (including undistributed net investment income of \$748,060 and \$828,935, respectively)	<u>\$121,895,011</u>	<u>\$139,557,221</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Small-Cap Value Fund
Financial Highlights

Selected data (for a share outstanding throughout each period) and ratios are as follows:

	For the Year Ended 10/31/99	For the Year Ended 10/31/98	For the Period Ended 10/31/1997*
Net Asset Value, Beginning of Period	<u>\$10.66</u>	<u>\$12.37</u>	<u>\$10.00</u>
Income (loss) from Investment Operations:			
Net investment income	.09	.08	.05
Net gain (loss) on securities (both realized and unrealized)	<u>.67</u>	<u>(1.73)</u>	<u>2.32</u>
Total from Investment Operations	<u>.76</u>	<u>(1.65)</u>	<u>2.37</u>
Less Distributions:			
Dividends from net investment income	<u>(.09)</u>	<u>(.06)</u>	<u>.00</u>
Net Asset Value, End of Period	<u>\$11.33</u>	<u>\$10.66</u>	<u>\$12.37</u>
Total Return	7.12%	(13.36%)	23.70% ¹
Ratios/Supplemental Data:			
Net Assets, End of period (in thousands)	\$121,895	\$139,557	\$107,256
Ratio of Expenses to Average Net Assets	1.28%	1.28%	1.65% ²
Ratio of Net Income to Average Net Assets	0.72%	0.72%	1.44% ²
Portfolio Turnover Rate	10%	6%	7% ¹

¹ Not Annualized

² Annualized

* The Fund commenced investment operations April 1, 1997.

The accompanying notes are an integral part of the financial statements.



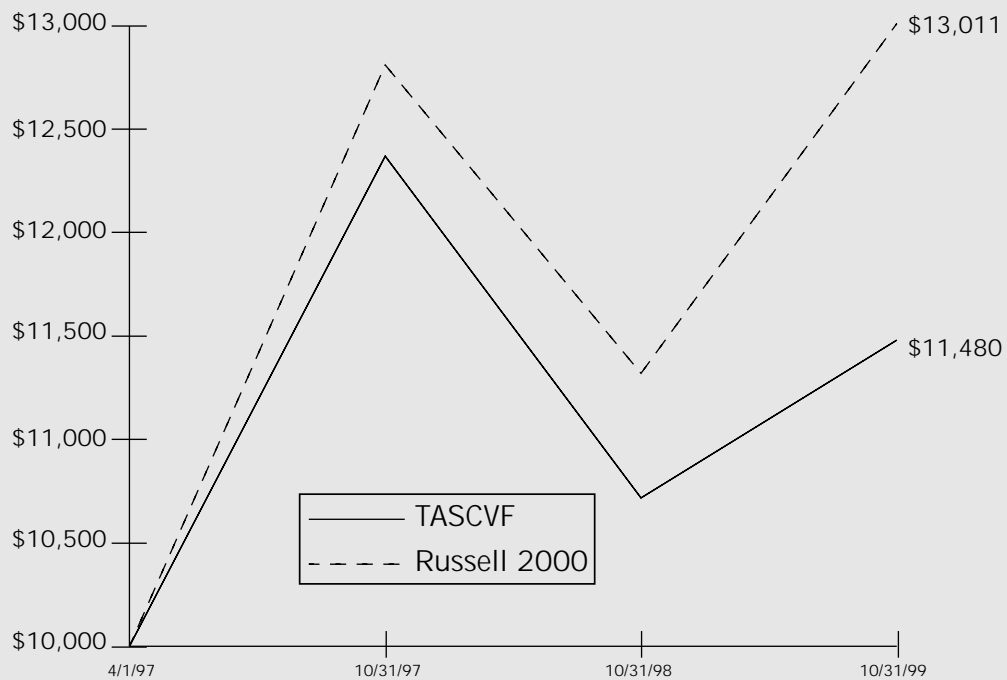
Performance Information
(Unaudited)

Performance Illustrations

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN
THIRD AVENUE SMALL-CAP VALUE FUND AND THE RUSSELL 2000 INDEX

Average Annual Total Return

	1 Year	2 Year	Since Inception (4/1/97)
	7.12%	-3.67%	5.49%



As with all mutual funds, past performance does not indicate future results.



Third Avenue Real Estate Value Fund

Dear Fellow Shareholders:

I am pleased to provide you with Third Avenue Real Estate Value Fund's (the "Fund") report for the fiscal year ended October 31, 1999 (the Fund's first full fiscal year of operation since its inception on September 17, 1998). At October 31, 1999, the audited net asset value attributable to the 749,696 shares outstanding was \$11.09 per share. This compared with the Fund's unaudited net asset value of \$11.74 per share at July 31, 1999 and an audited net asset value, adjusted for subsequent distributions to shareholders, of \$10.18 per share at October 31, 1998. At December 13, 1999, the unaudited net asset value was \$10.79 per share.

QUARTERLY ACTIVITY

During the fourth quarter of fiscal 1999, the Fund took advantage of the weak market for most real estate securities and increased its positions in the common stocks of 14 companies. The Fund eliminated its position in Chastain Capital Corp. after the company announced that its board had approved a plan to liquidate the company. When the Fund acquired its position in Chastain, we expected the company to either be acquired or liquidated. We decided to sell our position (at a substantial gain) when the stock price reached a level that equaled our estimate of liquidation value. At October 31, 1999, the Fund held positions in 20 companies, and was approximately 92% invested. The Fund's top 10 positions accounted for approximately 61% of the Fund's net assets.

Number of Shares	Increases in Existing Positions
3,500	Aegis Realty, Inc. ("Aegis Common")
18,400	AMRESKO Capital Trust, Inc. ("Amresco Common")
2,500	Anthracite Capital, Inc. ("Anthracite Common")
26,400	Catellus Development Corp. ("Catellus Common")
3,700	Commercial Assets, Inc. ("Commercial Common")
7,500	First American Financial Corp. ("First American Common")
12,600	Forest City Enterprises, Inc. Class A ("Forest City Common")
5,000	Imperial Credit Commercial Mortgage Investment Corp. ("Imperial Common")
10,000	St. Joe Co. ("St. Joe Common")
5,000	Koger Equity, Inc. ("Koger Common")
3,000	LNR Property Corp. ("LNR Common")
5,200	Prime Group Realty Trust ("Prime Common")



Number of shares	Increases in Existing Positions (continued)
10,400	United Investors Realty Trust ("United Common")
12,600	Wellsford Real Properties, Inc. ("Wellsford Common")
	Position Eliminated
31,000	Chastain Capital Corp. ("Chastain Common")

FIRST YEAR RESULTS

Real estate securities, in general, have been out of favor with investors for the last two years. The following table illustrates the returns on real estate securities since the inception of the Fund (9/17/98) and for the one year and two year periods ended October 31, 1999, as evidenced by three total-return indexes (assumes dividends are reinvested).

	<u>Since</u> <u>9/17/98</u>	<u>1 Year</u>	<u>2 Years</u>
Bloomberg Real Estate Operating Company Index	+4.3%	-0.4%	-19.1%
Morgan Stanley REIT Index	-1.0%	-6.3%	-19.0%
Wilshire Real Estate Securities Index	+0.6%	-4.8%	-18.4%
Third Avenue Real Estate Value Fund	+11.9%	+8.9%	N/A

By observing the poor returns generated by real estate stocks, it would be natural to draw the conclusion that real estate fundamentals have weakened or, at least, that the poor stock performance is a harbinger to weaker fundamentals (e.g., higher vacancies, declining rents, etc.). However, in most areas across the country, property fundamentals are strong as evidenced by increasing occupancy levels, stable or increasing rents, decent demand for space, and little evidence of speculative construction or overbuilding. The disconnect between real estate fundamentals and real estate stock performance has been a popular topic of discussion among real estate executives, analysts and investors. We believe there are two primary factors that lead to the current situation:

1. **Real estate common stocks, especially real estate investment trust (REIT) common stocks, were significantly overpriced.** Two years ago, REIT common stocks were priced at 25% to 30% premiums over net asset value (NAV). Such prices were supported by the argument that REIT common stocks should trade like growth stocks – at multiples of projected earnings (REIT multiples were applied to “funds from operations”) without regard to the value of the REITs’ assets. This argument held up as long as REITs continued to have access to inexpensive equity capital and REIT stock analysts continued to project double digit growth in cash flow. However, access to capital and significant cash flow growth had become mutually dependent. It was inconceivable to us that this illogical formula could work indefinitely because it gave little consideration to the value of real estate assets. To wit: if XYZ REIT purchased an office building in an arms-length transaction for \$10 million, the market



would immediately value that office building at \$12.5 million because XYZ's common stock was trading at a 25% premium to NAV. With very few exceptions, we don't believe that real estate common stocks should trade at a premium to NAV. Most REITs have not demonstrated that they can add significant value to properties or create economies of scale such that a premium price for their common stock is warranted. Many REITs do have experienced managements that are capable of creating and adding value – but that's what managements get paid to do. The common stock prices of the companies they manage, more often than not, probably will reflect increases in the value of real estate as it is achieved, not before.

2. **Supply of real estate common stocks exceeds demand.** From 1994 through 1997, the real estate markets were in a general state of recovery from the recession of the early 1990s. The recovery spawned scores of new REITs and growth of existing REITs as equity capital flowed freely into the sector from growth investors – not your typical REIT investor. Beginning in late 1997, it appeared that the real estate industry was fully recovered and that it would be difficult to maintain such dramatic growth. Additionally, economists were talking about a possible recession. The prospect that the growth cycle was coming to an end was enough to prompt growth investors to shift their focus elsewhere. During the last two years, approximately \$75 billion of market capitalization has left the real estate sector. Purchasing real estate common stocks today is characterized by the “offer” side of the market being much more active than the “bid” side. As a result, real estate stock valuations have dropped dramatically to where, on average, they are now trading below NAV.

The Fund has taken advantage of bargain prices available during the last year. We have concentrated our bargain hunting on common stocks of real estate operating companies and small REITs. The vast majority of REITs are not on our radar screen because they appear to have limited upside. Even though most REIT common stocks trade at discounts to NAV, it may be unlikely these REITs will have access to inexpensive equity capital anytime soon. Without fresh capital, growth will be restricted. We would rather own common stock in real estate operating companies that have the proven ability to grow and create wealth without raising new equity – like Forest City, Avatar, St. Joe and LNR. The growth prospects and potential for capital appreciation for these companies seems much more promising than is the case for capital-starved REITs.

REVIEW OF TOP HOLDINGS

The following summary of the Fund's top five holdings (about 37% of the Fund's net assets) gives a good cross section of the Fund's investments and a fair representation of our investment style. It is no coincidence that four of the Fund's top five holdings are common stocks of C-corporations – not REITs. We believe that the best way to achieve the Fund's objective of long-term capital appreciation is by investing in well-financed companies that are able to reinvest their earnings. Real estate is a very capital-intensive business, and access to inexpensive capital is crucial for real estate companies to grow. The least expensive form of equity capital is retained earnings. REITs are required to pay dividends to shareholders of at least 95% of their taxable income, leaving most REITs with little cash remaining to reinvest in new assets. Additionally, the market for REIT equity offerings has essentially been shut down for the last two years. This combination has left previously growth-oriented REITs in a difficult position with limited growth potential. The common stocks of real estate operating companies in which the Fund has invested pay very little or no dividends. With strong balance sheets and no need to raise equity capital, these companies should generate significant growth that will



outpace REITs over the next few years and in the long run. The common stocks of REITs in which the Fund has invested were all purchased at significant discounts to NAV, pay inordinately high dividends, and represent opportunities to take advantage of the likely consolidation of REITs or other resource conversions such as liquidations, management buyouts, etc. Imperial Common (see below) is a good example of our strategy involving the purchase of REIT common stocks.

Imperial Common (9.4%) – Imperial is a REIT that invests primarily in performing small-balance multifamily and commercial mortgage loans. We started buying Imperial Common in October 1998 because it was extremely cheap relative to our estimate of liquidation value, the company's assets were conservatively financed, the company generated stable cash flow and it was paying an extraordinarily high (and sustainable) dividend. Our investment in Imperial Common was a good example of taking advantage of a misunderstood security. During the fall of 1998, spreads on mortgage-backed and other debt securities widened to historic levels, resulting in substantial unrealized losses due to mark-to-market valuation adjustments. Many REITs with highly-leveraged portfolios of mortgage-backed securities were forced to liquidate holdings to meet margin calls, and their unrealized losses quickly became realized losses. Since Imperial had substantially less leverage than most mortgage REITs and its portfolio was not significantly affected by mark-to-market adjustments, the company was not subject to margin calls. However, the price of Imperial Common fell dramatically along with most mortgage REITs as investors exited the sector. We believed investor fear was unfounded because the losses suffered by mortgage REITs were the result of mark-to-market adjustments, or "perceived" reductions in value, and not deterioration of credit quality. In fact, commercial mortgage-backed securities and their underlying mortgages have continued to perform extremely well. The Fund's average cost for Imperial Common is approximately \$9.49 per share. Imperial has entered into a merger agreement with Imperial Credit Industries (a 10% shareholder and the manager of Imperial) and we expect to be cashed out of our Imperial Common investment in early 2000 for approximately \$11.57 per share, after receiving a dividend return, based on the Fund's average cost, of approximately 11% per annum.

Forest City Common (9.2%) – Forest City is a real estate development and operating company that develops, owns, operates and manages commercial and multifamily properties across the United States. Forest City has over \$3.6 billion of assets (at cost) which includes 14 regional malls, 27 specialty retail centers, 24 office buildings, 9 hotels and 114 apartment communities. The company has an additional 21 projects under construction (total cost \$1.1 billion) and 32 projects under development (estimated cost \$2.4 billion). Forest City develops properties with the intention of holding them as long-term investments. Its unique capital strategy incorporates the use of non-recourse mortgage financing. 87% of the company's total debt is non-recourse, of which nearly all is fixed-rate (or hedged) at an average rate of 7.04%. The combination of operating cash flow plus proceeds from refinancing properties with non-recourse mortgage debt gives Forest City an advantage over REITs that are heavily reliant upon access to inexpensive equity capital in order to sustain growth. Since Forest City is not a REIT, it is not required to pay dividends and nearly all of the company's cash flow is available to be reinvested in new assets. Forest City has a 20 year record of consistent cash flow growth and its common stock is priced at less than a 6 multiple of cash flow and about a 40% discount to NAV. As Forest City continues to reinvest its cash flow in well-planned developments, we expect that cash flow and NAV will continue grow.



Avatar Common (6.3%) – Avatar is a real estate development company that owns in excess of 50,000 acres of land primarily in Florida and Arizona. Approximately 20,000 acres in Avatar's primary development communities (three in Florida and one in Arizona) are developed, partially developed or developable. Nearly all of this acreage has been platted and/or zoned and either complies with or is exempt from expensive and time consuming DRI (development of regional impact) processes. Avatar has owned most of its land for over 30 years at a very low cost basis. About three years ago, the company brought in new management to design and implement a comprehensive business plan to develop its core land holdings and divest non-core assets. The new business plan focuses on developing and managing active adult communities and developing upscale and semi-custom homes and communities. Avatar's first active adult community, which will ultimately include 6,500 homes, is currently under construction on 3,300 acres located 10 miles south of Disney World. The grand opening should take place during 2000. Based on the strong Florida demographics for this product type, the location, and the company's low-cost land base (a competitive advantage), we expect that the project will be very profitable and a successful springboard for Avatar's future active adult communities. During 1999, Avatar's homebuilding division began generating substantial pre-tax profits and its backlog (units sold but not closed) at the end of the third calendar quarter exceeded total sales for the prior 12 months. Earlier this year, Avatar sold its Florida water and wastewater utilities assets for \$208.6 million cash, resulting in an after-tax gain of \$90.4 million and net cash proceeds of \$164 million. Additionally, Avatar sold non-core real estate assets in Cape Coral, Florida which generated net cash proceeds of \$37.6 million. These two sales of non-core assets strengthened Avatar's already healthy balance sheet. Currently, Avatar has over \$160 million in cash with total debt of only \$115 million. Avatar Common trades at a 20% discount to tangible book value, which is substantially below our estimate of NAV. With its strong balance sheet and significant development projects underway, Avatar is in the process of unlocking its embedded land value and becoming a significant homebuilder in its markets.

St. Joe Common (6.2%) – St. Joe is a diversified company engaged in the real estate, forestry, transportation and sugar industries. The company is the largest single private landowner in Florida, with more than 1 million acres. The company's new management team, with years of development expertise, is capitalizing on St. Joe's extensive land holdings and transforming the company into a real estate operating company. This transformation includes the elimination of St. Joe's non-strategic assets in transportation, forestry and sugar. The company recently sold its sugar business and farming rights for \$152.5 million cash (recording a gain of \$43 million) and has announced that it intends to sell approximately 800,000 acres of timberlands. St. Joe owns 54% of Florida East Coast Industries, a publicly-traded company that owns a railroad in Florida and, through its wholly-owned subsidiary, Gran Central Corporation, owns a portfolio of 62 office buildings and about 18,000 acres of commercial land. St. Joe has recently announced that it intends to complete a tax-free spin-off of its Florida East Coast common shares to St. Joe shareholders. St. Joe is focusing its attention on its core businesses, including community residential real estate, residential real estate services, and commercial real estate and services. St. Joe's core assets include extensive beach-front property, with over 40 miles of coastline on the Gulf of Mexico on the Florida panhandle, on which the company is developing large-scale, mixed-use communities. Several communities are beginning to generate substantial sales and profits, positioning St. Joe to expand its development activities. St. Joe's strong financial position, with over \$200 million in cash and marketable securities and debt of only \$35 million, gives the company a stable foundation from which it should be able to create new value and realize the hidden value of its land holdings that have been owned for over 60 years. As St. Joe implements its business



plan of selling non-strategic assets and developing its strategic assets, thereby creating a predictable stream of recurring earnings, we expect the substantial discount that St. Joe Common trades from our estimate of NAV should dissipate.

LNR Common (5.6%) – LNR is an opportunistic real estate investment and finance company that is involved in (1) acquiring, developing, managing and repositioning commercial and multifamily properties and loans, (2) acquiring and managing portfolios of distressed real estate assets, (3) investing in unrated and non-investment grade rated commercial mortgage backed securities (CMBS) in which the company has the right to be special servicer (i.e., conduct collection and recovery activities upon default of underlying mortgage loans), and (4) making high yielding real estate loans and equity investments. Real estate property activities represent approximately 45% of LNR's operating earnings. LNR's real estate assets consist of approximately 6.2 million square feet of office, retail industrial and warehouse space, 1.6 million square feet of ground leases, 1,300 hotel rooms, and 10,800 apartments, either complete or under development. The company's stabilized operating properties currently generate an annual yield of approximately 15% on cost, clearly illustrating the substantial unrealized appreciation in these assets. Investments in CMBS generate approximately 43% of LNR's operating earnings. LNR has investments in CMBS with total face amount of approximately \$1.2 billion that are carried at a net book value of \$509 million. The CMBS portfolio generates an annual cash yield of approximately 17% on book value, including a 29% yield on the unrated CMBS. LNR's expertise at managing these complex financial assets is evidenced by the fact that the company is the special servicer for 55 CMBS transactions with an original face amount of almost \$42 billion. LNR Common currently trades at less than a 6 multiple of cash flow and below tangible book value of \$19.28. Based on the substantial unrealized appreciation in LNR's real estate and CMBS assets, we estimate that NAV exceeds book value by about 60%.

I look forward to writing to you again when we publish our quarterly report for the period ending January 31, 2000.

Sincerely,

Michael H. Winer
Co-manager, Third Avenue Real Estate Value Fund



Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments
at October 31, 1999

	Shares	Issues	Value (Note 1)	% of Net Assets
Common Stocks - 92.33%				
Natural Resources	6,500	Deltic Timber Corp.	\$ 145,844	
	4,000	The TimberWest Forest Corp. (Canada)	<u>26,911</u>	
			<u>172,755</u>	2.08%
Real Estate Development	28,000	Avatar Holdings, Inc. (a)	525,000	
	33,400	Catellus Development Corp. (a)	392,450	
	9,700	Consolidated-Tomoka Land Co.	120,037	
	17,400	Echelon International Corp., Inc. (a)	416,512	
	30,700	Forest City Enterprises, Inc. Class A	767,500	
	24,000	LNR Property Corp.	465,000	
	21,500	St. Joe Co.	513,312	
	45,400	Wellsford Real Properties, Inc. (a)	<u>374,550</u>	
			<u>3,574,361</u>	43.00%
Real Estate Holding Company	25,500	Security Capital Group, Inc. (a)	<u>350,625</u>	4.22%
Real Estate Investment Trust	42,000	Aegis Realty, Inc.	367,500	
	26,500	AMRESKO Capital Trust Inc.	231,875	
	55,000	Anthracite Capital, Inc.	374,688	
	57,400	Commercial Assets, Inc.	287,000	
	72,000	Imperial Credit Commercial Mortgage Investment Corp.	783,000	
	22,000	Koger Equity, Inc.	341,000	
	24,200	Prime Group Realty Trust	347,875	
	55,000	United Investors Realty Trust	<u>385,000</u>	
			<u>3,117,938</u>	37.51%
Title Insurance	31,000	First American Financial Corp.	<u>459,188</u>	5.52%
		Total Common Stocks (Cost \$7,669,979)	<u>7,674,867</u>	

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Real Estate Value Fund
Portfolio of Investments (continued)
at October 31, 1999**

	Principal Amount	Issues	Value (Note 1)	% of Net Assets
Short Term Investments - 2.13%				
Repurchase Agreements	\$177,360	Bear Stearns 5.23%, due date November 1, 1999 (b)	\$ 177,360	2.13%
		Total Short Term Investments (Cost \$177,360)	<u>177,360</u>	
		Total Investment Portfolio - 94.46% (Cost \$7,847,339)	<u>7,852,227</u>	
		Cash and Other Assets		
		Less Liabilities - 5.54%	<u>460,086</u>	
		NET ASSETS - 100.00% (Applicable to 749,696 shares outstanding)	<u><u>\$8,312,313</u></u>	

Notes:

(a) Non-income producing securities.

(b) Repurchase agreement collateralized by:

U.S. Treasury Strips, par value \$980,000, 6.29%, matures 11/15/26; market value \$181,300.

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Assets and Liabilities
October 31, 1999

Assets:

Investments at value (Notes 1 and 4):	
Unaffiliated issuers (identified cost of \$7,847,339)	\$7,852,227
Cash (Note 1)	537,268
Receivable for fund shares sold	71,725
Dividends and interest receivable	35,129
Other assets	145
Total assets	<u>8,496,494</u>

Liabilities:

Payable for securities purchased	56,103
Payable for fund shares redeemed	75,943
Payable to investment adviser	4,080
Accounts payable and accrued expenses	48,055
Total liabilities	<u>184,181</u>
Net assets	<u>\$8,312,313</u>

Summary of net assets:

Common stock, unlimited shares authorized, no par value, 749,696 shares outstanding	\$8,102,631
Accumulated undistributed net investment income	150,484
Accumulated undistributed net realized gains from investment transactions	54,312
Net unrealized appreciation of investments and translation of foreign currency denominated assets and liabilities	4,886
Net assets applicable to capital shares outstanding	<u>\$8,312,313</u>
Net asset value, offering and redemption price per share	<u>\$11.09</u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Operations
For the Year Ended October 31, 1999

Investment Income:	
Interest	\$ 35,938
Dividends (net of foreign withholding tax of \$456)	<u>233,757</u>
Total investment income	<u>269,695</u>
Expenses:	
Investment advisory fees (Note 3)	47,874
Administration fees (Note 3)	56,571
Directors' fees and expenses	53,864
Registration fees	32,558
Auditing and tax consulting fees	24,980
Transfer agent fees	24,253
Accounting services	24,003
Custodian fees	9,875
Reports to shareholders	6,083
Legal fees	5,428
Miscellaneous expenses	793
Amortization of Insurance expense	<u>165</u>
Total operating expenses	<u>286,447</u>
Expenses waived and reimbursed (Note 3)	<u>(186,812)</u>
Net expenses	99,635
Net investment income	<u>170,060</u>
Realized and unrealized gains (losses) on investments:	
Net realized gains on investments	55,843
Net realized gains on foreign currency transactions	183
Net change in unrealized depreciation on investments	(14,517)
Net change in unrealized appreciation on translation of other assets and liabilities denominated in foreign currency	<u>11</u>
Net realized and unrealized gains on investments	<u>41,520</u>
Net increase in net assets resulting from operations	<u><u>\$211,580</u></u>

The accompanying notes are an integral part of the financial statements.



Third Avenue Trust
Third Avenue Real Estate Value Fund
Statement of Changes in Net Assets

	<u>For the Year Ended 10/31/99</u>	<u>For the Period Ended 10/31/98*</u>
Operations:		
Net investment income	\$ 170,060	\$ 1,679
Net realized gains (losses) on investments	55,843	(1,531)
Net realized gains on foreign currency transactions	183	—
Net change in unrealized appreciation (depreciation) on investments	(14,517)	19,406
Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currency	<u>11</u>	<u>(14)</u>
Net increase in net assets resulting from operations	<u>211,580</u>	<u>19,540</u>
Distributions:		
Dividends to shareholders from net investment income	<u>(26,438)</u>	<u>—</u>
Capital Share Transactions:		
Proceeds from sale of shares	8,594,336	693,412
Net asset value of shares issued in reinvestment of dividends and distributions	26,336	—
Cost of shares redeemed	<u>(1,206,453)</u>	<u>—</u>
Net increase in net assets resulting from capital share transactions	<u>7,414,219</u>	<u>693,412</u>
Net increase in net assets	7,599,361	712,952
Net assets at beginning of period	<u>712,952</u>	<u>—</u>
Net assets at end of period (including undistributed net investment income of \$150,484 and \$6,679, respectively)	<u><u>\$8,312,313</u></u>	<u><u>\$ 712,952</u></u>

* The Fund commenced investment operations September 17, 1998.

The accompanying notes are an integral part of the financial statements.



**Third Avenue Trust
Third Avenue Real Estate Value Fund
Financial Highlights**

Selected data (for a share outstanding throughout each period) and ratios are as follows:

	<u>For the Year Ended 10/31/99</u>	<u>For the Period Ended 10/31/98*</u>
Net Asset Value, Beginning of Period	\$10.28	\$10.00
Income from Investment Operations:		
Net investment income	.20	.02
Net gain on securities (both realized and unrealized)	<u>.71</u>	<u>.26</u>
Total from Investment Operations	<u>.91</u>	<u>.28</u>
Less Distributions:		
Dividends from net investment income	<u>(.10)</u>	<u>—</u>
Net Asset Value, End of Period	<u>\$11.09</u>	<u>\$10.28</u>
Total Return	8.86%	2.80% ¹
Ratios/Supplemental Data:		
Net Assets, End of period (in thousands)	\$8,312	\$ 713
Ratio of Expenses to Average Net Assets		
Before expense reimbursement	5.38%	81.89% ²
After expense reimbursement	1.87%	1.90% ²
Ratio of Net Income (Loss) to Average Net Assets		
Before expense reimbursement	(0.31%)	(77.33%) ²
After expense reimbursement	3.20%	2.66% ²
Portfolio Turnover Rate	5%	0% ¹

¹ Not Annualized

² Annualized. Note that annualized expenses and net income (loss) before expense reimbursement are not necessarily indicative of expected expenses due to the annualization of certain fixed expenses.

* The Fund commenced investment operations September 17, 1998.

The accompanying notes are an integral part of the financial statements.



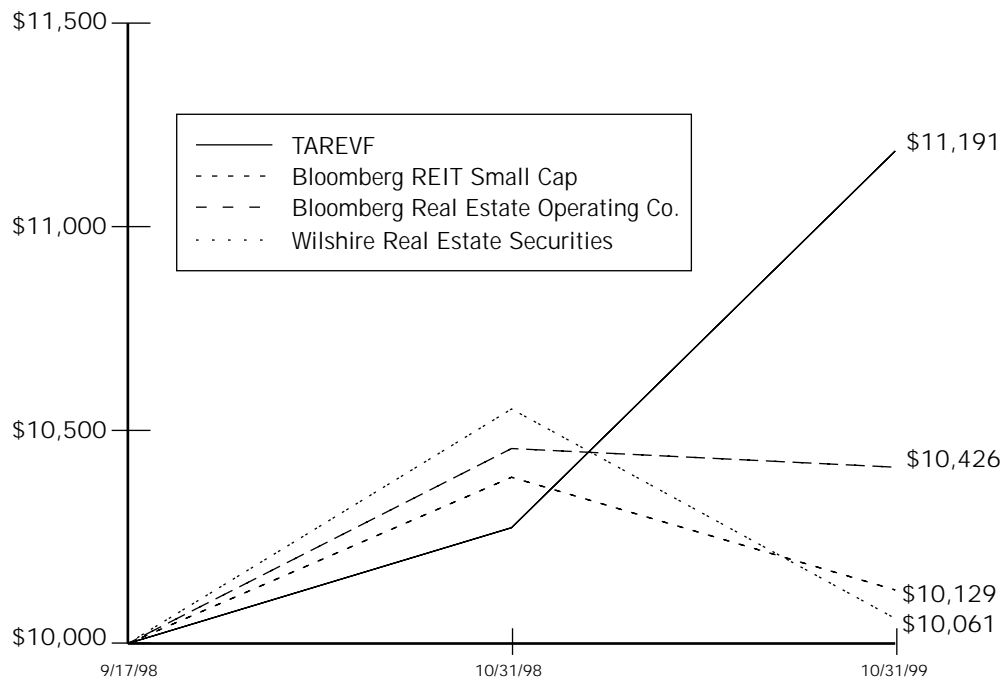
Performance Information
(Unaudited)

Performance Illustrations

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN *THIRD AVENUE REAL ESTATE VALUE FUND*
AND THE BLOOMBERG REIT SMALL CAP INDEX AND THE BLOOMBERG REAL ESTATE OPERATING COMPANY INDEX
AND THE WILSHIRE REAL ESTATE SECURITIES INDEX

Average Annual Total Return

	1 Year	Since Inception (9/17/98)
	8.86%	10.56%



* The period beginning September 17, 1998 (*Third Avenue Real Estate Value Fund's* commencement of operations.)

As with all mutual funds, past performance does not indicate future results.



Third Avenue Trust
Notes to Financial Statements
October 31, 1999

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Third Avenue Trust (the "Trust") is an open-end, non-diversified management investment company organized as a Delaware business trust pursuant to a Trust Instrument dated October 31, 1996. The Trust currently consists of four separate investment series: Third Avenue Value Fund, Third Avenue Small-Cap Value Fund, Third Avenue High Yield Fund and Third Avenue Real Estate Value Fund (each a "Fund" and, collectively, with the exception of Third Avenue High Yield Fund, the "Funds"). The information presented in these financial statements pertains to Third Avenue Value Fund, Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund. Third Avenue High Yield Fund is presented under a separate cover. At the close of business on March 31, 1997, shareholders of Third Avenue Value Fund, Inc., a Maryland corporation which was incorporated on November 27, 1989 and began operations on October 9, 1990, became shareholders of Third Avenue Value Fund. Third Avenue Small-Cap Value Fund commenced investment operations on April 1, 1997. Third Avenue Real Estate Value Fund commenced investment operations on September 17, 1998. The Funds seek to achieve their investment objectives of long-term capital appreciation by adhering to a strict value discipline when selecting securities. While the Funds pursue a capital appreciation objective, each Fund has a distinct investment approach.

Third Avenue Value Fund seeks to achieve its objective by investing in a portfolio of equity securities of well-financed companies believed to be priced below their private market values and debt securities providing strong, protective covenants and high, effective yields.

Third Avenue Small-Cap Value Fund seeks to achieve its objective by investing at least 65% of its assets in a portfolio of equity securities of well-financed companies having market capitalizations of below \$1 billion at the time of investment and believed to be priced below their private market values.

Third Avenue Real Estate Value Fund seeks to achieve its objective by investing at least 65% of its total assets in a portfolio of equity and debt securities of well-financed companies in the real estate industry or related industries or that own significant real estate assets at the time of investment.

Third Avenue High Yield Fund has entered into an Agreement and Plan of Reorganization with Pioneer High Yield Fund. Under this agreement, Third Avenue High Yield Fund will transfer all of its assets to Pioneer High Yield Fund in exchange for Class A shares of Pioneer High Yield Fund and Pioneer High Yield Fund will assume the liabilities of Third Avenue High Yield Fund. Class A shares of Pioneer High Yield Fund having a value on the reorganization date equal to the value of Third Avenue High Yield Fund shares will be distributed to Third Avenue High Yield Fund shareholders in exchange for their Third Avenue High Yield Fund shares. The consummation of this transaction is subject to, among other things, approval by Third Avenue High Yield Fund's shareholders of the Agreement and Plan



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

of Reorganization. It is anticipated that a meeting of shareholders to approve the Agreement and Plan of Reorganization will be held in February, 2000.

Accounting policies:

The policies described below are followed consistently by the Funds in the preparation of their financial statements in conformity with accounting principles generally accepted in the United States of America.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Security valuation:

Securities traded on a principal stock exchange or the National Association of Securities Dealers' Automated Quotation System ("NASDAQ") are valued at the last quoted sales price or, in the absence of closing sales prices on that day, securities are valued at the mean between the closing bid and asked price. Temporary cash investments are valued at cost, plus accrued interest, which approximates market. Short-term securities with original or remaining maturities in excess of 60 days are valued at the mean of their quoted bid and asked prices. Short-term securities with 60 days or less to maturity are amortized to maturity based on their cost if acquired within 60 days of maturity, or if already held by a Fund on that day, based on the value determined on that day.

The Funds may invest up to 15% of their total assets in securities which are not readily marketable, including those which are restricted as to disposition under applicable securities laws ("restricted securities"). Restricted securities and other securities and assets for which market quotations are not readily available are valued at "fair value", as determined in good faith by the Board of Trustees of the Funds, although actual evaluations may be made by personnel acting under procedures established by the Board of Trustees. At October 31, 1999, such securities had a total fair value of \$143,525,856 or 10.71% of net assets of Third Avenue Value Fund and \$5,376,950 or 4.41% of net assets of Third Avenue Small-Cap Value Fund. Among the factors considered by the Board of Trustees in determining fair value are the type of security, trading in unrestricted securities of the same issuer, the financial condition of the issuer, the Fund's cost at the date of purchase, a percentage of the Fund's beneficial ownership of the issuer's common stock and debt securities, the operating results of the issuer, the discount from market value of any similar unrestricted securities of the issuer at the time of purchase and liquidation values of the issuer. The fair values determined in accordance with these procedures may differ significantly from the amounts which would be realized upon disposition of the securities. Restricted securities often have costs associated with subsequent registration. The restricted securities currently held by the Funds are not expected to incur any future registration costs.

Security transactions and investment income:

Security transactions are accounted for on a trade date basis. Dividend income is recorded on the ex-dividend date and



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

interest income, including, where applicable, amortization of premium and accretion of discount on investments, is accrued daily, except when collection is not expected. Realized gains and losses from securities transactions are reported on an identified cost basis.

Foreign currency translation and foreign investments:

The books and records of the Funds are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars as follows:

- **Investments:** At the prevailing rates of exchange on the valuation date.
- **Investment transactions and investment income:** At the prevailing rates of exchange on the date of such transactions.

Although the net assets of the Funds are presented at the foreign exchange rates and market values at the close of the period, the Funds do not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held at period end. Similarly, the Funds do not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Foreign currency swap contracts:

Third Avenue Value Fund has entered into foreign currency swaps to exchange Japanese yen for U.S. dollars. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. These swaps are used to hedge the Fund's exposure to Japanese yen denominated securities and the Japanese market. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Fluctuations in the value of open swap contracts are recorded daily as net unrealized gains or losses. The Fund realizes a gain or loss upon termination or reset of the contracts. The statement of operations reflects net unrealized gains (losses) on these contracts.

Forward foreign currency contracts:

Third Avenue Value Fund has engaged in portfolio hedging with respect to changes in currency exchange rates by entering into forward foreign currency contracts to sell currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Fluctuations in the value of forward foreign currency contracts are recorded daily as net unrealized gains or losses. The Fund realizes a gain or loss upon settlement of contracts.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

Foreign currency option contracts:

An option contract gives the buyer the right, but not the obligation to buy (call) or sell (put) an underlying item at a fixed exercise price on a certain date or during a specified period. The use of foreign currency put option strategies provide the Funds with protection against a rally in the U.S. dollar versus the foreign currency while retaining the benefits (net of option cost) of appreciation in foreign currency on equity holdings.

Loans of portfolio securities:

Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund loaned securities during the year to certain brokers, with the Funds' custodian acting as lending agent. Upon such loans, the Funds receive collateral which is maintained by the custodian and earns income in the form of negotiated lenders' fees, which are included in interest income in the Statements of Operations. On a daily basis, the Funds monitor the market value of securities loaned and maintain collateral against the securities loaned in an amount not less than the value of the securities loaned. The Funds may receive collateral in the form of cash or other eligible securities. Risks may arise upon entering into securities lending to the extent that the value of the collateral is less than the value of the securities loaned due to changes in the value of collateral or the loaned securities.

During the year ended October 31, 1999, the following Funds had securities lending income included in interest income totaling:

<u>Fund</u>	
Third Avenue Small-Cap Value Fund	\$16,518
Third Avenue Real Estate Value Fund	490

The value of loaned securities and related collateral outstanding at October 31, 1999, was as follows:

<u>Fund</u>	<u>Value of Securities Loaned</u>	<u>Value of Collateral</u>
Third Avenue Small-Cap Value Fund	\$3,881,217	\$4,003,400

The collateral for the Third Avenue Small-Cap Value Fund consisted of cash which was invested in repurchase agreements with Bear Stearns due November 1, 1999, collateralized by U.S. Treasury securities.

Repurchase agreements:

Securities pledged as collateral for repurchase agreements are held by the Funds' custodian bank until maturity of the repurchase agreement. Provisions in the agreements ensure that the market value of the collateral is at least equal to the repurchase value in the event of default. In the event of default, the Funds have the right to liquidate the collateral and



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

Organizational costs:

Organizational costs of \$56,000 for Third Avenue Small-Cap Value Fund are being amortized on a straight line basis over five years from commencement of operations.

Distributions to shareholders:

Dividends from net investment income paid to shareholders and distributions from realized gains on sales of securities paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with Federal income tax regulations which may differ from accounting principles generally accepted in the United States of America. These "book/tax" differences are either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their tax-basis treatment. Temporary differences do not require reclassification.

For the year ended October 31, 1999, permanent differences were reclassified as shown below:

	<u>Increase (Decrease) to Accumulated Undistributed Net Investment Income</u>	<u>Increase (Decrease) to Accumulated Undistributed Net Realized Gain (Loss) on Investments and Foreign Currency</u>	<u>Decrease to Additional Paid-In-Capital</u>
Third Avenue Value Fund	\$(15,512,557)	\$20,155,005	\$(4,642,448)
Third Avenue Small-Cap Value Fund	46,703	(46,703)	—
Third Avenue Real Estate Value Fund	183	(183)	—

These adjustments are primarily attributable to differing book and tax treatments of foreign currency transactions.

Federal income taxes:

The Funds have complied and intend to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies. Therefore, no Federal income tax provision is required.

Cash and cash equivalents:

The Funds have defined cash and cash equivalents as cash in interest bearing and non-interest bearing accounts.

Expense Allocation:

Expenses attributable to a specific Fund are charged to that Fund. Expenses attributable to the Trust are allocated using the ratio of each Fund's net assets relative to the total net assets of the Trust, unless otherwise specified.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

Trustees fees:

The Trust does not pay any fees to its officers for their services as such, but does pay Trustees who are not affiliated with the Investment Adviser a fee of \$1,500 per Fund for each meeting of the Board of Trustees that they attend, in addition to reimbursing all Trustees for travel and incidental expenses incurred by them in connection with their attendance at Board meetings. The Trust also pays non-interested Trustees an annual stipend of \$2,000 per Fund in January of each year for the previous year's service.

2. SECURITIES TRANSACTIONS

Purchases and sales/conversions:

The aggregate cost of purchases, and aggregate proceeds from sales and conversions of investments, excluding short-term investments, from unaffiliated and affiliated issuers (as defined in the Investment Company Act of 1940) for the year ended October 31, 1999 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Third Avenue Value Fund:		
Affiliated	\$28,521,260	\$ 54,919,202
Unaffiliated	37,743,042	408,464,251
Third Avenue Small-Cap Value Fund:		
Unaffiliated	12,795,566	25,718,319
Third Avenue Real Estate Value Fund:		
Unaffiliated	7,454,175	216,893

At October 31, 1999, cost and gross unrealized appreciation and gross unrealized depreciation, for Federal income tax purposes were as follows:

	<u>Cost</u>	<u>Gross Appreciation</u>	<u>Gross Depreciation</u>	<u>Net Appreciation/ (Depreciation)</u>
Third Avenue Value Fund	\$906,744,253	\$504,115,193	\$(72,353,562)	\$431,761,631
Third Avenue Small-Cap Value Fund	131,257,883	16,920,730	(28,797,302)	(11,876,572)
Third Avenue Real Estate Value Fund	7,847,339	293,342	(288,454)	4,888



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

3. INVESTMENT ADVISORY SERVICES AND SERVICE FEE AGREEMENT

Each Fund has an Investment Advisory Agreement with EQSF Advisers, Inc. (the "Adviser") for investment advice and certain management functions. The terms of each Investment Advisory Agreement provide for a monthly fee of 1/12 of 0.90% (an annual fee of 0.90%) of the total average daily net assets of the applicable Fund, payable each month. Additionally, under the terms of the Investment Advisory Agreements, the Adviser pays certain expenses on behalf of the Funds, which are reimbursable by the Funds, including salaries of non-officer employees and other miscellaneous expenses. Amounts reimbursed with respect to non-officer salaries are included under the caption Administration fees. At October 31, 1999, Third Avenue Value Fund, Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund had payables to affiliates of \$143,485, \$19,282 and \$3,755, respectively, for reimbursement of expenses paid by such affiliates. Under current arrangements for the Third Avenue Value Fund and Third Avenue Small-Cap Value Fund, whenever, in any fiscal year, the Fund's normal operating expenses, including the investment advisory fee, but excluding brokerage commissions and interest and taxes, exceeds 1.90% of the first \$100 million of the Funds average daily net assets, and 1.50% of average daily net assets in excess of \$100 million, the Adviser is obligated to reimburse the Fund in an amount equal to that excess. Effective October 15, 1999, whenever, in any fiscal year, the Third Avenue Real Estate Value Fund's normal operating expenses, including the investment advisory fee, but excluding brokerage commissions and taxes, exceeds 1.50% of the Fund's average net assets, the Adviser is obligated to reimburse the Fund in an amount equal to that excess. Prior to this date, the Adviser was obligated to reimburse Third Avenue Real Estate Value Fund per the agreement stated above for the Third Avenue Value Fund and Third Avenue Small-Cap Value Fund. Such waived and reimbursed expenses may be paid to the Adviser during the following three year period to the extent that the payment of such expenses would not cause the Funds to exceed the preceding limitations. No expense reimbursement was required for Third Avenue Value Fund or Third Avenue Small-Cap Value Fund for the year ended October 31, 1999. The adviser waived fees of \$47,874, and reimbursed \$138,938 for Third Avenue Real Estate Value Fund, for the year ended October 31, 1999.

The Trust has entered into shareholder servicing agreements with certain service agents for which the service agents receive a fee of up to 0.10% of the average daily net assets invested into the Trust by the agent's customers in an omnibus account. In exchange for these fees, the service agents render to such customers various administrative services which the Trust would otherwise be obligated to provide at its own expense.

4. RELATED PARTY TRANSACTIONS

Brokerage commissions:

Martin J. Whitman, the Chairman and a director of the Funds, is the Chairman and Chief Executive Officer of M.J. Whitman Holding Corp., which is the parent of both M.J. Whitman, Inc., a registered broker-dealer and M.J. Whitman Senior Debt Corp., a dealer in the trading of bank debt and other private claims. For the year ended October



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

31, 1999, the Funds incurred total brokerage commissions, which includes commissions earned by M.J. Whitman, Inc. as follows:

<u>Fund</u>	<u>Total Commissions</u>	<u>M.J. Whitman, Inc.</u>
Third Avenue Value Fund	\$1,071,112	\$672,971
Third Avenue Small-Cap Value Fund	78,630	61,498
Third Avenue Real Estate Value Fund	28,707	25,568

Investments in affiliates:

A summary of the Funds' transactions in securities of affiliated issuers for the year ended October 31, 1999 is set forth below:

Third Avenue Value Fund

<u>Name of Issuer:</u>	<u>Shares/Principal Held at Oct. 31, 1998</u>	<u>Shares/Principal Purchased</u>	<u>Shares Sold</u>	<u>Shares/Principal Held at Oct. 31, 1999</u>	<u>Value at Oct. 31, 1999</u>	<u>Dividend/Interest Income Nov. 1, 1998 - Oct. 31, 1999</u>
ACMAT Corp. Class A	200,678	—	—	200,678	\$ 1,856,272	—
ADE Corp.	728,900	—	728,900	—	+	—
American Physicians Service Group, Inc.	1,109,900	—	1,109,900 ¹	—	+	—
Avatar Holdings, Inc.	474,300	—	474,300	—	+	—
Carver Bancorp, Inc.	218,500	—	—	218,500	1,556,813	—
CGA Group, Ltd.	838,710	2,502,993	—	3,341,703	0	—
CGA Group, Ltd., Series A	238,857	362,697 ²	—	601,554	15,038,851	\$1,655,350
CGA Group, Ltd., Series B	171,429	28,571	200,000 ¹	—	+	2,089,624
CGA Group, Ltd., Series C	—	6,045,667	—	6,045,667	7,039,176	—
CGA Special Account Trust	\$6,428,575	\$1,071,425	—	\$7,500,000	7,500,000	356,199
C.P. Clare Corp.	1,004,500	—	—	1,004,500	5,336,406	—
Danielson Holding Corp.	803,669	—	—	803,669	4,520,638	—
Electro Scientific Industries, Inc.	1,600,300	—	—	1,600,300	86,416,200	—
Electrogas, Inc.	1,846,200	36,300	—	1,882,500	51,945,234	—
First American Financial Corp.	3,000,000	145,000	—	3,145,000	+	—
FSI International, Inc.	2,820,900	—	500,000	2,320,900	18,567,200	—
Interphase Corp.	300,000	—	300,000	—	+	—
Protocol Systems, Inc.	912,900	1,000	125,000	788,900	5,620,913	—
Repap Enterprises Inc.	—	126,605,679	—	126,605,679	7,089,918	—
Silicon Valley Group, Inc.	4,234,800	—	500,300	3,734,500	46,681,250	—
SpeedFam International, Inc.	1,605,000	—	1,605,000	—	+	—
Stewart Information Services Corp.	975,700	975,700 ³	—	1,951,400	29,027,075	302,467
St. George Holdings, Ltd. Class A	912,442	152,074	—	1,064,516	106,451	—
St. George Holdings, Ltd. Class B	7,549	1,495	—	9,044	905	—
Tecumseh Products Co. Class A	125,400	—	—	125,400	6,011,362	150,480
Tecumseh Products Co. Class B	417,300	—	—	417,300	18,361,200	500,760
Tejon Ranch Co.	3,045,508	—	—	3,045,508	81,848,027	152,275



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

Veeco Instruments, Inc.	663,200	—	—	663,200	+	—
Vertex Communications Corp.	306,900	—	—	306,900	4,776,131	—
Total Affiliates					<u>\$399,300,022</u>	<u>\$5,207,155</u>

¹ Sold due to merger

² 66,214 share increase due to pay-in-kind dividends

³ Increase due to a 2:1 stock split on 5/24/99

+ As of October 31, 1999, no longer an affiliate.

Third Avenue Small-Cap Value Fund

Name of Issuer:	Shares/Principal Held at Oct. 31, 1998	Shares/Principal Purchased	Shares Sold	Shares/Principal Held at Oct. 31, 1999	Value at Oct. 31, 1999	Dividend/Interest Income Nov. 1, 1998 - Oct. 31, 1999
Centigram Communications Corp.	326,900	—	—	326,900	\$ 3,105,550	—
C.P. Clare Corp.	520,000	—	—	520,000	2,762,500	—
SpecTran Corp.	490,600	—	—	490,600	4,354,075	—
Total Affiliates					<u>\$10,222,125</u>	<u>\$0</u>

5. CAPITAL SHARE TRANSACTIONS

Each Fund is authorized to issue an unlimited number of shares of beneficial interest with no par value.

Transactions in capital stock were as follows:

	Third Avenue Value Fund		Third Avenue Small-Cap Value Fund	
	For the Year Ended October 31, 1999	For the Year Ended October 31, 1998	For the Year Ended October 31, 1999	For the Year Ended October 31, 1998
Increase (decrease) in Fund shares:				
Shares outstanding at beginning				
of period	51,081,171	51,537,358	13,096,406	8,670,943
Shares sold	7,411,681	19,502,035	4,834,365	11,057,081
Shares reinvested from dividends and distributions	578,496	877,124	96,740	46,997
Shares redeemed	<u>(20,580,542)</u>	<u>(20,835,346)</u>	<u>(7,266,046)</u>	<u>(6,678,615)</u>
Net increase (decrease) in Fund shares	<u>(12,590,365)</u>	<u>(456,187)</u>	<u>(2,334,941)</u>	<u>4,425,463</u>
Shares outstanding at end of period	<u>38,490,806</u>	<u>51,081,171</u>	<u>10,761,465</u>	<u>13,096,406</u>



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

	Third Avenue Real Estate Value Fund	
	For the Year Ended October 31, 1999	For the Period Ended October 31, 1998
Increase in Fund shares:		
Shares outstanding at beginning of period	69,355	—
Shares sold	791,345	69,355
Shares reinvested from dividends and distributions	2,473	—
Shares redeemed	<u>(113,477)</u>	<u>—</u>
Net increase in Fund shares	<u>680,341</u>	<u>69,355</u>
Shares outstanding at end of period	<u><u>749,696</u></u>	<u><u>69,355</u></u>

6. COMMITMENTS

Third Avenue Value Fund has committed a \$1,900,000 capital investment to Insurance Partners II Equity Fund, LP of which \$760,000 has been funded as of October 31, 1999. Securities valued at \$1,191,438 have been segregated to meet the requirements of this commitment. This commitment may be payable upon demand of Insurance Partners II Equity Fund, LP.

7. RISKS RELATING TO CERTAIN INVESTMENTS

Foreign securities:

Investments in the securities of foreign issuers may involve investment risks different from those of U.S. issuers including possible political or economic instability of the country of the issuer, the difficulty of predicting international trade patterns, the possibility of currency exchange controls, the possible imposition of foreign withholding tax on the dividend income and interest income payable on such instruments, the possible establishment of foreign controls, the possible seizure or nationalization of foreign deposits or assets, or the adoption of other foreign government restrictions that might adversely affect the foreign securities held by the Funds. Foreign securities may also be subject to greater fluctuations in price than securities of domestic corporations or the U.S. Government.



Third Avenue Trust
Notes to Financial Statements (continued)
October 31, 1999

Foreign currency contracts:

The Funds may enter into foreign currency swap contracts, forward foreign currency contracts and foreign currency option contracts. Such contracts are over the counter contracts negotiated between two parties. There are both market risks and credit risks associated with such contracts. Market risks are generally limited to the movement in value of the foreign currency relative to the U.S. dollar. Credit risks typically involve the risk that the counterparty to the transaction will be unable to meet the terms of the contract. Foreign currency swap contracts and forward foreign currency contracts may have risk which exceeds the amounts reflected on the statements of assets and liabilities.

High yield debt:

Third Avenue Value Fund currently invests in high yield lower grade debt. The market values of these higher yielding debt securities tend to be more sensitive to economic conditions and individual corporate developments than those of higher rated securities. In addition, the secondary market for these bonds is generally less liquid.

Loans and other direct debt instruments:

Third Avenue Value Fund invests in loans and other direct debt instruments issued by a corporate borrower to another party. These loans represent amounts owed to lenders or lending syndicates (loans and loan participations) or to other parties. Direct debt instruments may involve a risk of loss in case of default or insolvency of the borrower and may offer less legal protection to the Fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency of the lending bank or other financial intermediary. The markets in loans are not regulated by federal securities laws or the SEC.

Trade claims:

Third Avenue Value Fund invests in trade claims. Trade claims are interests in amounts owed to suppliers of goods or services and are purchased from creditors of companies in financial difficulty. An investment in trade claims is speculative and carries a high degree of risk. Trade claims are illiquid securities which generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the trade claim. The markets in trade claims are not regulated by federal securities laws or the SEC. Because trade claims are unsecured, holders of trade claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding.

8. CAPITAL LOSS CARRYFORWARDS

During the year ended October 31, 1999, Third Avenue Value Fund, Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund utilized net capital loss carryforwards of \$15,833,337, \$523,582 and \$1,531, respectively. At October 31, 1999, no further capital loss carryforwards were available for Third Avenue Value Fund and Third Avenue Real Estate Value Fund. Third Avenue Small-Cap Value Fund had \$69,341 of capital loss



Third Avenue Trust
Notes to Financial Statements
at October 31, 1999

carryforward remaining which may be used to offset future net capital gains, to the extent provided by regulations, through October 31, 2006.

To the extent that capital loss carryforwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no tax liability will be incurred by the Fund for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to shareholders.



Report of Independent Accountants

To The Trustees and Shareholders of Third Avenue Trust

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations, of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Third Avenue Value Fund, Third Avenue Small-Cap Value Fund and Third Avenue Real Estate Value Fund (together the "Funds", three of the four series comprising Third Avenue Trust) at October 31, 1999 and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 1999 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York, New York 10036
December 17, 1999



Third Avenue Trust
Federal Tax Status of Dividends
(Unaudited)

The following information represents the tax status of dividends and distributions paid by the Funds during the fiscal year ended October 31, 1999. This information is presented to meet regulatory requirements and no current action on your part is required.

Third Avenue Value Fund

Of the \$0.402 per share paid to you in cash or reinvested into your account for the fiscal year ended October 31, 1999, the entire amount was derived from net investment income. 35.13% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Third Avenue Small-Cap Value Fund

Of the \$0.088 per share paid to you in cash or reinvested into your account for the fiscal year ended October 31, 1999, the entire amount was derived from net investment income. 100% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Third Avenue Real Estate Value Fund

Of the \$0.097 per share paid to you in cash or reinvested into your account for the fiscal year ended October 31, 1999, the entire amount was derived from net investment income. 95.46% of the ordinary income distributed qualifies for the Corporate Dividends Received Deduction.

Board of Trustees

Phyllis W. Beck
Lucinda Franks
Gerald Hellerman
Marvin Moser
Donald Rappaport
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Martin Shubik
Charles C. Walden
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Martin J. Whitman
Chairman, Chief Executive Officer
David M. Barse
President, Chief Operating Officer
Michael Carney
Chief Financial Officer, Treasurer
Kerri Weltz, Assistant Treasurer
Ian M. Kirschner, General Counsel and Secretary

Transfer Agent

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Investment Adviser

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Custodian

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